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BUREAU OF ECONOMIC AND SOCIAL INTELLIGENCE

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# Part I: Co-operation and Association

## ITALY.

### I. PROGRESS OF THE PROVINCIAL FEDERATIONS OF CATHOLIC RURAL BANKS,

The importance of the Catholic movement in the field of co-operative credit is well known, and we have more than once had occasion to refer to it when summarising the results of the Parliamentary Inquiry into the conditions of the peasants in the Southern provinces and in Sicily (1), the latter island being the region *par excellence* of the Catholic rural banks, and when exhibiting the results of the enquiry carried out in 1911 by the National Labour Office in regard to the Catholic Workmen's organizations in Italy (2).

We have already seen that the rural banks organized by the Catholics tend to federate and are indeed united in diocesan and provincial federations, adhering through the medium of special organizations (3) to the *Unione Economico-Sociale fra i Cattolici Italiani*, the great centre for the union and management of the Catholic institutions in Italy, with headquarters at Bergamo.

These federations, now to be found in almost all the regions in which the Catholic movement has acquired importance, besides their general object of representing the federated societies, usually also serve as banks for them, centralising capital, opening credits etc., and also at the same time

(1) In regard to the economic and social movement of the Catholics in Sicily and in particular in regard to the Catholic rural banks of that region, see the report of Prof. GIOVANNI ARFENZONI, technical delegate for Sicily on the occasion of the above mentioned Parliamentary Enquiry. Vol. VI of the Enquiry Report, Part II, Chapter X.

(2) See in this connection *Bulletin of Economic and Social Intelligence*, August and September, 1912, pp. 27 and 45 respectively.

(3) That is to say, the Economico-Social Sections of the Diocesan Secretariats.



undertake the duty of inspecting the financial business of the affiliated banks.

Where there are no real and true federations discharging these functions the banks are for the most part affiliated to superior credit institutes, which as they have to grant them credit, always have supervision over their working.

In regard to some of these federations we are now in a position to communicate the following facts, beginning with the most important and best regulated: the Federation of Rural and People's Banks of the Province of Bologna.

(a) *Federazione delle casse rurali e popolari della provincia di Bologna* -- This is one of the most meritorious Catholic co-operative societies and in a life of ten years it has seen the number of banks affiliated to it and their members continually increase, as the following figures show:

Years	Federated Banks	Members
--	--	--
1905 . . . . .	53	4,057
1906 . . . . .	61	4,593
1907 . . . . .	62	4,882
1908 . . . . .	64	5,003
1909 . . . . .	64	5,049
1910 . . . . .	71	5,967
1911 . . . . .	80	6,766
1912 . . . . .	81	7,123
1913 . . . . .	82	7,357

There are now 84 federated banks with 7,473 members: these are almost all the banks in the Province of Bologna.

It may be interesting to give a rapid glance at the general situation of the banks affiliated to the Federation in different years, seeing that the tenth anniversary of its foundation was reached last December; we give the total amounts below:

Years	Federated Banks	Total Business Done Fr.
--	--	--
1904 . . . . .	29	545,554
1907 . . . . .	62	1,511,882
1910 . . . . .	71	2,694,526
1911 . . . . .	80	3,101,837
1912 . . . . .	81	3,411,098
1913 . . . . .	82	3,648,742
June 30th., 1914 . . . . .	83	3,713,916

The progress has been continual, which shows the regular working of these useful institutions. In particular, evidence of the confidence they

inspire is given by the figures for the deposits collected, which we give below:

Years —	Federated Banks —	Deposits — Frs.
1904 . . . . .	29	368,292
1907 . . . . .	62	1,324,911
1910 . . . . .	71	2,327,034
1911 . . . . .	80	2,704,954
1912 . . . . .	81	2,983,224
1913 . . . . .	82	3,283,850
June 30th., 1914 . . . . .	83	3,497,694

With an average per bank of 12,700 frs. in 1904, 21,370 frs. in 1907, 32,775 in 1910; 33,810 in 1911; 36,830 in 1912; 40,046 in 1913 and 42,140 on June 30th., 1914.

But the fluctuations in the amount of the loans granted to members, as shown below presents the greatest interest:

Years —	Federated Banks —	Amount of Loans — Frs.	Average per Banks — Frs.
1904 . . . . .	29	308,157	10,626
1907 . . . . .	62	626,957	10,112
1910 . . . . .	71	1,400,155	19,720
1911 . . . . .	80	1,606,983	20,008
1912 . . . . .	81	1,859,699	22,960
1913 . . . . .	82	1,944,900	23,720
June 30th., 1914 . . . . .	83	1,998,604	24,080

Finally, the average net profits increased from 202.80 frs. at the end of 1904 to 231.60 frs. in 1907, to 234.20 frs. in 1910, to 268.50 frs. in 1911, to 278 frs. in 1912 and to 285 frs. in 1913.

This is in outline the course followed by the federated rural banks of the province of Bologna, the results of which, as we see, in the first ten years of the life of their Federation, were satisfactory.

(b) *Federazione delle associazioni economico-sociali della provincia di Parma* (Federation of Economic and Social Associations in the Province of Parma). — On December 31st., 1913 there were 66 societies federated to it, that is to say 41 rural banks (3,632 members), 13 labour co-operative societies (650 members) and 12 agricultural co-operative societies (528 members).

The year 1913 marked a very considerable progress on the part of the rural banks from their situation in 1912, as is seen in the following table:

The General Business Done increasing from frs.	2,753,848	to frs.	3,213,458
Savings Deposits . . . . .	2,109,503	„ „	2,619,760
Loans on Bills . . . . .	2,118,012	„ „	2,439,801
Cash Deposits at Interest . . . . .	9,291	„ „	72,650
Debit Current Accounts falling	285,380	„ „	220,002
Reserve Funds increasing	66,312	„ „	86,653
Net Profits. „ „ „	23,661	„ „	26,614

Above all noteworthy and characteristic was the decrease in the amount of the debit current accounts and the increase in the deposits at interest. As we see from the reports of the society on March 31st., 1914, the situation had again improved, so that the savings deposits and the debit current accounts on the one hand, the loans and the cash deposits at interest on the other balanced each other; and it may be said that the banks themselves had been no burden upon the *Cassa Centrale per le casse rurali cattoliche d'Italia* (Central Bank for the Catholic Rural Banks of Italy), Parma. While, indeed, in 1912 the banks in which the liabilities exceeded the assets and which had therefore to have recourse to the Central Bank to establish an equilibrium were 25 and those that had cash in excess were 17, at the end of 1913, on the other hand, the number in which there was a scarcity of money was only 18 and that of those that had an excess of it 23.

As we have had occasion to mention here the Central Bank for the Catholic rural banks of Italy, a limited liability co-operative society with unlimited capital, we think it advisable, in order to give an idea of its importance, to reproduce the figures of its balance sheet for May 31st., 1914: *Credits*: cash, 1,010,235.57 frs.; bills and acceptances, 7,833,349.92 frs.; anticipations on pledge of securities, 76,838.30 frs.; real estate, 580,000 frs.; Government securities etc., 3,362,409.19 frs.; guaranteed current accounts, 4,835,255.39 frs.; correspondents, 420,414 frs.; miscellaneous items, 181,506.51 frs.; furniture, safes and cash boxes, 83,956 frs.; bills received for payment, 31,562.69 frs.; total credits, 17,965,528.43 frs.; securities in deposit, 7,513,970.25 frs.; general total 25,479,498.68 frs. *Debits*: Deposits withdrawable on demand, 9,697,515.01 frs.; deposits for fixed terms, 5,310,845.54 frs.; correspondents, 1,708,367.28 frs.; miscellaneous items, 166,656.10 frs.; total debits 16,883,383.93 frs. — *Capital of the Bank*: Fully paid up, 443,400 frs.; ordinary reserve fund, 399,060 frs.; extraordinary reserve fund against the fall in value of securities and losses on bills, 195,000 frs.

The office of this central bank for the rural Catholic banks is elsewhere performed by institutes akin to it, called *Small Credit Institutes*.

(c) *Federazione delle Casse rurali della provincia di Forlì* (Federation of Rural Banks of the Province of Forlì). — This Federation with headquarters at Cesena includes about 30 rural banks, the situation of 25 of which on December 31st., 1913 was as follows: members, 2,564; capital and

erve fund, 36,470 frs. ; savings deposits, 761,245 frs. ; debit current accounts and rediscount, 8,479 frs. ; loans, 759,797 frs. ; deposits at interest the larger Institutes, 62,970 frs. ; net profits for the year 6,604 frs.

(d) *Federazione pistoiese delle casse rurali* (Pistoia Federation of Rural Banks). — At the end of 1913, the rural and workmen's banks federated were with 3,800 members. At that date their general situation was as follows: bills and acceptances and members' current accounts, 1,953,385 frs.; savings deposits, 1,445,066 frs. ; share capital, of the societies of collective title, 794 frs.; of societies limited by shares, 32,907 frs.; net profits for the year 13, 10,433 frs.

(e) *Federazione interdiocesana delle casse rurali e operaie cattoliche Firenze* (Florentine Interdiocesan Federation of Rural and Catholic Workmen's Banks). — The affiliated banks are 30, belonging to the provinces of Lucca, Pistoia, Arezzo and Siena), exclusive of that of Pistoia. On December 31st., 1913, the principal figures of their general situation were as follows: members, 4,105 ; bills in safe, 915,944 frs. ; deposits at interest current account, 152,650 frs.; capital, 5,778 frs.; reserve fund, 18,788 frs.; deposits, 1,021,992 frs.; debit current accounts, 74,145 frs.

Other similar federations exist at Bergamo, Reggio Emilia, Ferrara, Monza, Rovigo, Turin, Acqui etc.

But if some of these federations, as we see, have been successful, exerting a somewhat efficacious action for the advantage of their affiliated societies, others have up to the present had a difficult and uncertain existence; more than this, many rural Catholic banks still live independent lives and present considerable differences in regard to their administration and technique; this isolation has at times led in many of the banks to real disorganisation of the administration, revealed by regrettable failures, which have been rather frequent of late years.

With the object of avoiding these and other disadvantages and strengthening and reinvigorating the local federations remaining inactive, founding new ones and finally promoting an intense and thorough improvement of the technique of the rural banks, the *Federazione Italiana delle casse rurali cattoliche* (Italian Federation of Rural Catholic Banks) was constituted at Bologna on the fourteenth of last December.

Such a federation had indeed been founded at Bologna in the early part of 1910 in accordance with a decision of the Brescian Congress of rural banks in 1909. It worked during 1910 and 1911; then its Federal Committee was dissolved and the Federation only existed in name.

The renovated Italian Federation, to which the above mentioned Provincial Federations were invited to adhere, proposes, amongst other objects, (a) to act as the representative of the federated banks and to promote friendly relations between them for moral and economic purposes; (b) to institute local federations and new rural banks; (c) to harmonize and substantially direct the work of inspection and courses of instruction in regard to the management and bookkeeping of the societies, for the members of the staff; (d) to compile general statistics etc.

Its executive authorities are the Federal Council, consisting of the delegates of the registered Federations, and the Federal Committee consisting of seven members elected by the Council.

The above objects of the Italian Federation, without doubt, make up a large programme. We shall see, hereafter, how it is carried out, and inform our readers in due course of the results obtained (1).

## 2. MISCELLANEOUS NEWS.

I. -- STATISTICS AND INFORMATION IN REGARD TO THE LOMBARD DAIRY SOCIETIES. — In order to show the progress made in recent years by the Lombard dairy societies in regard to their administration and technique, the excellent *Società agraria di Lombardia* (Lombard Agricultural Society) opens a prize competition for the dairies of that region, whether legally constituted or merely existing *de facto* before 1913, treating an average quantity of milk of not more than 15 quintals, two thirds of which at least was transformed and not sold as milk. From the report of the committee appointed as judges for this competition (2), we derive the following information on Lombard dairy co-operation.

The report begins with two satisfactory statements: first, that, thanks to the legislative measures passed in recent years for the advantage of mountain, forest and pasture land (3) and to the work of the itinerant agricultural lecturers and the livestock improvement associations (4), the livestock of Lombardy has improved slowly but surely, even in the most remote valleys and grazing, the cultivation of cattle foods and the rearing of

(1) The above information and figures are reproduced from *Cooperazione Popolare*, the organ of the Catholic rural banks and mutual and co-operative societies, as well as of the Italian Federation of Catholic Rural Banks, Parma, Nos. 10-11, 13, 20, 23-24 of 1913, and No. 1 of January 10th., 1915. The last number contains the rules of the Federation.

(2) See the *Bullettino dell'Agricoltura*, the organ of the society mentioned. Milan, Nos. 3 and 32, July 31st. and August 7th., 1914.

(3) See in this connection the article: *New Italian Forestry Legislation*, in the number of this Bulletin for July, 1911.

(4) See in this connection the article: *Livestock Improvement Associations in Italy*, in the number of this Bulletin for January, 1913.

cattle are receiving more and more attention; so that, it is observed in the report, the moment seems to have arrived for intensifying the propaganda in behalf of dairy societies which "very often become in their turn centres of propaganda and progress and lead the way to mutual livestock insurance, the collective purchase of manure and material, the collective sale of members' produce, small agricultural consortiums, cattle service stations, courses in the theory and practice of dairying, societies for the treatment of milk in mountain districts, collective leases in such districts and distributive co-operation."

Another statement is that in the whole region of Lombardy there has been for some time observable a renewed activity exerted in behalf of the dairy societies, due both to the propaganda of technical experts and to the decision of the farmers themselves to adopt modern methods of dairying so it happens that in the Valtellina, side by side with co-operative societies of older type, we now see numerous new organizations full of promise, amongst which we may mention the Gordona Co-operative Dairy Society. And in a few years in the Valleys of the Province of Como and specially in the neighbourhood of Lecco small dairies have multiplied and, whereas the entire province of Bergamo was almost without dairies, more than 50 have now arisen there; in that province the dairies have federated, principally for the purpose of regulating the butter trade.

However, the number of dairies in the extensive hilly and mountainous region of Lombardy, consisting of the provinces of Bergamo, Brescia, Como and Sondrio, is not yet very large; there are altogether about 200, of which many are merely societies in which the work is done by the different members in turn. Of these only 21 entered for the competition opened by the Lombard Agricultural Society.

Very various are the types of these dairies and the systems they adopt, though they always correspond with local requirements. And, indeed, some usually exclude from treatment a more or less considerable portion of their milk (up to one fourth) so as to sell it as milk in the larger villages and the neighbourhood of urban centres and health or summer resorts, to satisfy the demand of the foreign colonies and the local population who have not any. Others treat the milk and make butter and skim milk cheese; in this case the members receive the cheeses due to them in consideration of the milk supplied and in money they only receive the value of the butter. No price is fixed for the cheese, or only one for bookkeeping purposes, to show the yield per quintal of milk.

As regards the production of butter, sometimes only enough is produced for local consumption; when, on the contrary, the production is in excess of the consumption, it is readily sold in the large centres at the entrance of the principal valleys. In this connection we must mention the excellent example afforded by the dairy societies of Bergamo, which, as already observed, are closely federated for the purposes, among others, of the collective sale of the butter in excess of local requirements, of extinguishing mutual competition and obtaining higher prices by the collective sale of their produce.

The Federation of dairy societies of Bergamo closed its accounts for the year 1913-1914 on the nineteenth of last October, showing, as in previous years, excellent results (1). It indeed received from the 14 dairies federated to it 6,231 kg. of butter, which it sold at Bergamo, Clusone and Trezzo for 19,731.65 frs., which, when 1,236.30 frs. were deducted for cost of transport, packing, postal, customs and working expenses, gave a net price of 18,495.35 frs., or 2.96 frs. per kg. As we see, the price is very high, exceeding the average paid at Milan, which from November to May did not exceed 2.82 frs.

In some instances, for example at Capovalle and Morbegno, the dairies contracts to supply butter not to a co-operative organization, like the Bergamo Federation, but to a wholesale dealer, or directly, in small amounts, to private persons even in Central and South Italy. On the other hand, it is rarely that a dairy contracts to supply cheese: the cheeses serve for local consumption and, if any member finds himself overstocked, he sells for his own account locally or to dealers in the valley, or at most applies to the dairy to act as intermediary for him.

We shall now speak briefly of the constitution and bookkeeping of the competing societies.

They, in the first place, were for the most part of recent, some of very recent, foundation. The period for which they had worked varied from 1 year to 33 (Morbegno and Ponte) and 34 (Tirano). They are all co-operative societies, except that of Casto, in which the members work in turn, and that of Tirano, in which there are two systems of working the co-operative, and the system of turns for a group of members less modern in their ideas and more hesitating. They are all simply organisations *de facto*, except the three at Cantello-Ligurno, Capovalle and Lavenone. The buildings belong to the Society at Gordona (value 50,000 frs.), Morbegno (18,000 frs.), Regoledo, Cantello-Ligurno, and Cerete Alto (10,000 frs.). The amount of milk supplied varied from 1 quintal (Valmoresca) the day to 12 quintals (Ello) the day. It is worked by dairymen who in many places have the diploma of the *Reale Stazione di Caseificio di Lodi* (Lodi Royal Dairy Station) or the *Reale Scuola Pastori di Brescia* (Brescia Royal Herdsmen's School) at Orzinuovi; in other cases they have followed other special courses, for example at Morbegno and Bellano; lastly, in other instances, they have made a short apprenticeship in some dairy in the vicinity. The machinery and implements are those in ordinary use; in many cases, simple enough, in some instances, not even the property of the society but leased or lent by some of the members. The machines are worked sometimes by hand and sometimes by electricity.

As regards the books, in many dairies they are really very well kept on a simple and complete system; the merit is often due to the organization

(1) See in this connection, the *Bullettino dell'Agricoltura*, Milan, No. 48, November 27th, 1914.

for propaganda, which not only supply forms, but even assist the secretaries in making out the balance sheets. In some cases, however, the accounts are not well kept, but this is rather the fault of the persons than the system.

The Committee of judges appointed for the competition awarded the gold medals, supplied by the Department of Agriculture and the Lombard Agricultural Society, to the two co-operative dairies of Gordona (Sondrio) and Morbegno (Sondrio), in consideration of the excellence of their installation and technical management, the amount of milk treated, and the results obtained, and silver medals, likewise supplied by the Department and the same society to the Dairies of Ponte Valtellina (Sondrio), Cantello-Ligurno (Como), Regoledo (Como), Cerete Alto (Bergamo), Vendrognio (Como), Ello (Como), Blessagno (Como) and Cologna al Serio (Bergamo). Other societies received bronze medals and encouragements.

\* \* \*

2. — THE NATIONAL CREDIT INSTITUTE FOR CO-OPERATION. — This Institute, which was founded in 1913 for the purpose of furnishing credit to the Italian co-operative societies, and to the establishment of which the principal credit institutes of the country (1) contributed voluntarily, began work on January 1st, 1914. Its principal business consists in making advances on current accounts to societies against orders to pay issued by public authorities or other credits against such authorities, and in discounting bills cheques and promissory notes on behalf of legally established co-operative societies and syndicates.

In addition to its regular business, the Institute may make unsecured advances to societies and syndicates provided that these are already doing a discount business with the Institute, have been working smoothly for at least three years, and satisfy the Institute as to the object of the loan and the time of repayment.

The capital of the Institute, on September 30th, 1914, amounted to 8,200,000 *lire*, and on the same date the loans outstanding amounted to 4,893,965.53 *lire*, distributed as follows:

Advanced against "orders to pay" . . . . .	2,990,947.61	<i>lire</i>
Commercial paper discounted . . . . .	1,165,459.97	"
Advanced against the cession of various credit accounts . . . . .	471,150.45	"
Unsecured loans . . . . .	266,407.50	"
	<hr/>	
	4,893,965.53	

(1) The National Workmen's Old Age and Disablement Society, 2,000,000 *lire*; the Bank of Italy and the Credit Institute for Co-operative Societies at Milan, each, 1,000,000 *lire*. A number of ordinary Savings Banks and of People's Banks also contributed important amounts. On the origin and constitution of the Institute, see an article in the *Bulletin* of December, 1913, at page 28.



According to the type of society the advances were distributed thus

Societies for production and labour . . . . .	3,366,634.98	<i>lit.</i>
Credit societies . . . . .	1,132,537.64	"
Co-operative distributive societies . . . . .	80,587.80	"
Agricultural co-operative societies . . . . .	75,850.00	"
Various co-operative societies . . . . .	238,355.11	"
	<hr/> 4,893,965.53	"

Geographically the distribution was as follows :

Lombardy . . . . .	1,506,581.09	<i>lit.</i>
Lazio . . . . .	1,293,307.23	"
Emilia . . . . .	847,659.70	"
Liguria . . . . .	799,469.15	"
Tuscany . . . . .	252,585.23	"
The Marches . . . . .	86,546.33	"
Venetia . . . . .	59,816.80	"
Piedmont . . . . .	45,000.00	"
Sicily . . . . .	3,000.00	"
	<hr/> 4,893,965.53	"

The total of the discount transactions from January 1st to September 30th, 1914, was 8,904,164.91 *lire* (1).

The above are the principal operations of the National Credit Institute for Co-operation during the first nine months of its working. The transactions appear somewhat small in proportion to the growing credit needs of the Italian co-operative societies and, in fact, the societies, in a congress held at Reggio Emilia on November 4th, 1914, passed resolutions as follows:

(a) That the bye-laws of the Institute be modified without delay so as to enable it to undertake credit operations of all kinds in order to serve the needs of the different branches of the co-operative movement; and that the co-operative societies be admitted to form part of the Institute and be represented in its management;

(1) At present, in addition to the head-office in Rome the Institute has branch office in Florence and in Genova (which have replaced the branch offices of the Milan Credit Institute for Co-operative Societies which formerly existed in these two towns) and has representatives in Mantua and Modena. Branch offices are being organised at Bologna, Verona, Padua, Ravenna, and Venice.

(b) That the Institute shall organise its work throughout Italy by the establishment of numerous branch offices (or if considered more advisable in certain cases and for certain districts) through local organisations duly empowered to act on its behalf in such a way that the work shall be carried on in accordance with the real needs of the various districts and the different branches of co-operation, and not upon rigid lines laid down by a central administration;

(c) That the Institute, in order to increase and improve the technical management of the Italian co-operative societies, shall co-operate with the National League of Co-operative Societies (Milan) in improving the system of collective statistics and intensifying the work of inspection and control;

(d) That while continuing to act with due caution, the Institute shall enlarge the sphere of its activities in such a way that it shall really meet the needs of the various branches of the co-operative movement and become the central banking institute of the Italian co-operative societies.

At the same Congress (1), which was promoted by the National League of Co-operative Societies and which was attended by the representatives of more than 450 societies distributed throughout every part of Italy, the complex question of providing credit for co-operative societies was submitted to a certain amount of discussion, and the Congress called upon the State to provide an immediate practical solution of the question by making adequate financial provision and passing appropriate legislation.

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3. — THE CONSTITUTION OF THE NATIONAL BANK OF THE ITALIAN RURAL SOCIETIES. — By decree of the Roman Court, of date of September 25th., 1914, the *National Bank of the Italian Rural Banks* has been constituted. This Bank, organised as a limited liability co-operative Society with unlimited capital, has for its principal object "the subvention of rural banks and other co-operative and mutual societies for the grant of credit to small farmers".

The following shall be members, on acceptance of the rules and, hereafter, on the Board of Management accepting their applications: (a) the rural or agricultural banks and kindred institutes affiliated to the National Federation of Italian Rural Banks with head quarters in Rome; (b) any individual person or incorporated body who can legally assume the obligations imposed by the rules.

Every member must: (a) pay five francs at date of presentation of his application; (b) purchase at least one share of the nominal value of 100 francs; (c) accept liability for all engagements of the institution up to the amount of his subscribed shares.

(1) That, namely, of Reggio Emilia. See *La Cooperazione Italiana*, the organ of the National League of Italian Co-operative Societies (Milan), No. 1112, November 6th, 1914.

The shares shall be inscribed and not transferable, nor can they be given in pledge or as security without the consent of the Board of Management. They shall serve to guarantee the Society for all obligations of any kind the member has towards it.

On the other hand, every member shall have a right; (a) to vote at the meetings, having one vote however many shares he possesses; and the share of one member may never be more than fifty, (b) to share in the profit and, in case of liquidation, in the capital, in proportion to the number of shares subscribed and paid up. The interest paid to members shall not exceed 5 % on the nominal value of the shares. The rest of the profit shall be placed to the reserve fund.

There shall be ordinary and extraordinary members' meetings. The ordinary meeting shall be held every year not later than March 31st. At it the report and balance sheet for the past year shall be presented for approval, the officers elected, and all the other items on the agenda discussed. At least ten members shall be required to form a quorum. Extraordinary meeting may be called when the Board of Management considers it advisable or on the demand of the Committee of Examiners of Accounts or twenty members.

The Bank is managed by a Board of Management, consisting of a president, two vice-presidents and eight counsellors. It may engage in any banking business, though transactions of a hazardous nature and speculation on the exchange are strictly prohibited.

Supervision in regard to the due observance of the rules, regulations and decisions of the society is entrusted to a college, consisting of three effective and two deputy examiners of accounts, who must also perform all the duties assigned to them by the Italian Commercial Code.

(Summarised from the Rules of the Bank in question, published in *Cooperazione Rurale*, Rome, No. 11 of November 30th, 1914).

\* \*

4. — STATISTICS OF THE AGRICULTURAL CO-OPERATIVE SOCIETIES OF SARDINIA. — Sardinian agricultural co-operation originated with the agricultural schools and itinerant agricultural lectureships, which, with the institution of many experimental farms, gave evident proof of the efficacy and utility of chemical manures and the new agricultural machines. With these experimental farms indeed sound propaganda began, and slowly but surely led to the foundation of the first co-operative societies. It was after the promulgation of the special law for the island that the agricultural co-operative societies began to work and multiplied, so that, while the first societies appeared in 1907, in 1913 there were already 152 working and united in a Federation.

This *Federazione delle Cooperative e Mutue agrarie della Sardegna* (Federation of Sardinian Agricultural Co-operative and Mutual Societies), with its headquarters provisionally fixed at Oristano (Cagliari), has recently published a complete statistical report of the situation of the Sardinian

agricultural Co-operative Societies on December 31st., 1913. From this it appears that at that date there were 152 agricultural co-operative societies working, 106 in the province of Cagliari and 46 in that of Sassari, with a total of 13,525 members, all landowners and farmers.

In the Province of Cagliari there are 95 rural and agricultural banks (co-operative societies of collective title), with a guarantee capital of 7,365,860 frs. and share capital of 36,921 frs., which have done business in agricultural loans to the amount of 1,744,967 frs. In a few years of work they have amassed a reserve fund of 30,687 frs., which, with the profits of the year 1913, that is 28,342 frs., makes up an amount of 59,029 frs.

The rural and agricultural banks of the Province of Sassari although fewer in number, being 32 all told, have been very active. They have a capital of 22,181,184 frs. and have made loans to farmers to the amount of 53,738 frs.

The co-operative societies limited by shares have also been very active and, in the two provinces, with a capital of 265,588 frs., they have done business to the amount of 1,535,905 frs.

(Summarised from the *Statistica delle Cooperative agrarie della Sardegna*, above mentioned).

## RUSSIA.

### THE CENTRAL CREDIT INSTITUTE OF THE RURAL, CO-OPERATIVE BANKS AND CO-OPERATIVE CREDIT IN FINLAND.

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ATLAS DE FINLANDE (*Finland Atlas*), with two volumes of explanatory text, Published by the Finland Geographical Society. Helsingfors, 1911.  
BETRIEBSTATISTISCHE UNTERSUCHUNGEN ÜBER DIE MILCHEREI-, KREDIT- UND KONSUMGENS-GENOSSENSCHAFTEN IN FINNLAND 1903-1910. (*Statistical Studies on Co-operative Dairies, Banks and Distributive Societies in Finland between 1903 and 1910*). Publication of the "Pellervo" Society, Helsingfors, 1912.  
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ANSKAFANDE AF DRIFTKAPITAL ÅT DET FINSKA JORDBRUKET GENOM ANDELSVÄRSKAMER (*The Manner of Procuring Working Capital for Agriculture in Finland by means of Co-operation*). "Pellervo" Library vol. 6.  
OSUUSKASSA. KÄSIKIRJA (*The Co-operative Bank Handbook*). "Pellervo" Library. Vol. 8.  
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"PELLERVO" (Fortnightly Review of the Society of the same name). Helsingfors. Various Articles.  
SUOMEN OSUUSTOIMINTALEHTI. (*Monthly Review of Co-operation in Finland*). Various articles.

In an earlier number of this Bulletin, we had an opportunity of showing the quite special nature of the origin and development of co-operation in Finland (1). Whilst in most other countries the co-operative movement developed upwards by means of spontaneously created local co-operative societies, later uniting in Federations, in Finland, on the contrary, the movement was in the opposite direction: it extended from above downwards, from the centre to the periphery, in accordance with a general plan established beforehand and carefully prepared in all its details.

First of all a single central organization was formed: the "*Pellervo* (2) *Society for the Promotion of Rural Co-operation in Finland*", and it is on the initiative of this centre, on its immediate suggestion and under its systematic direction, that the various kinds of local co-operative societies and even their federal organizations were formed later.

In the present article we propose to trace in outline the beginnings of credit co-operation on these lines in Finland, its development and the results obtained by it in the first ten years of its activity, that is to say in the period 1903-1913.

#### § 1 ORIGIN AND FOUNDATION OF THE CENTRAL CREDIT INSTITUTE.

The definite constitution of the "*Pellervo*" dates from October 2nd., 1909. Even before that year was over, the Board of Management of the Young Society had already decided to try to organize a whole system of co-operative associations, quite specially intended to meet the requirements of agricultural credit for working expenses, that is to say of short term agricultural credit.

The experience of other countries having shown that an organisation of this kind had no serious chances of success unless supported from the start by a central institution capable of providing the local credit societies with the necessary funds and supervising their action and operations, it was decided to begin by creating such an institution.

On January 4th., 1900, the "*Pellervo*" instructed a special committee to make out a detailed programme. Two months later, the Diet of the Grand Duchy had already occupied itself with the matter and on the favourable report of the Commission formed, the States unanimously adopted a resolution to the effect that: "in case of a central institution being formed on private initiative to meet the needs of the farmers for credit through the medium of local co-operative credit societies, such an institution should be subvented and supported by the State."

As soon as this result had been obtained, the "*Pellervo*" founded a second committee which, in anticipation of the Imperial approval of the de-

(1) See *Bulletin of Economic and Social Intelligence*, September, 1911.

(2) "*Pellervo*" is the name given in the Finnish mythology to the Divinity who protects the fields and crops.

cision of the Diet, was to prepare and draft the rules of the proposed institute so that it might initiate its work without delay.

According to the original idea of its promoters, the proposed institution was to be the property of the local credit banks which gradually arose. But in order to put the institution at once in working order, it was decided until a sufficient number of these banks had been formed, to give it provisionally the form of a society limited by shares. The share capital and the amount of shares were to be fixed so as to allow even farmers who were not rich to take part from the first in this enterprise, founded expressly for their benefit. The institution once firmly established, the shares of the foundation members were gradually bought up by the local credit banks to which the economic assistance of the institution was only granted on condition of their purchasing a number of shares in proportion to the credit granted them (1).

The Imperial approval of the decision of the Diet, which guaranteed the Institute the material support of the State, was given on June 20th, 1901. On September 1st. of the same year, the first "Law on Co-operative Activity in Finland", came into operation. This was also due to the initiative and the efforts of the "Pellervo". On the 4th. of the same month in conformity with the provisions of this new law, the rules prepared by the committee above mentioned were submitted to the approbation of the Senate, which in Finland answers to the cabinet in other countries.

Now arose a serious difficulty.

In accordance with the intentions of the founders, in the draft rules submitted to the Senate the proposed institution was given the character of a Bank with right to conduct all operations within the competence of banks generally, with the sole restriction that it might only grant credit to legally constituted co-operative banks. In giving the institution this form it was intended to ensure it the possibility of forming at least a part of its working capital either by means of special deposits or by the issue of bonds.

Now, the Senate opposed this on the ground that the law on banks absolutely forbade any kind of State subvention of them even under the form of a loan on favourable conditions. And as it was perfectly evident that the proposed institution could not in any way dispense with such a loan or an annual subvention, it was necessary to refrain from giving it the character of a bank.

Then, after long and exhaustive discussion, the founders resigned themselves to the restriction of the sphere of action of the projected institution and to its inclusion among societies limited by shares. The rules were consequently reconsidered and again submitted for approval to the Senate which this time had no objection to offer. On March 6th., 1902, approval was officially given and on the fourteenth of May following the constituent meeting of the "Central Credit Institute of Co-operative Credit Societies of Finland, Society Limited by Shares", was held.

(1) See below: § 2. Rules of the Central Credit Institute.

The rules of this society presenting interest on many grounds, we shall summarise them below in the form they have now assumed, which differs from that originally approved only by some slight changes in detail introduced in the course of the year 1911.

## 2. RULES OF THE CENTRAL CREDIT INSTITUTE OF THE CO-OPERATIVE BANKS OF FINLAND (1).

The "Central Credit Institute of Co-operative Banks of Finland" (in Swedish "*Andelskassornas Centralkreditanstalt*" and in Finnish "*Osuuskassojen Keskuslainarahasto*"), is a society limited by shares, with headquarters at Helsinki (Helsingfors), the object of which is to supply, through the medium of co-operative banks, the credit requirements of the rural population and in particular of the small land holders (§§ 1-3).

The Society only grants credit to the rural co-operative banks, legally constituted on the basis of the unlimited liability of their members on pay calls (2), and undertaking to regulate their action in accordance with the principles laid down by the Central Institute and to submit in all things to its constant and active supervision. As a rule, the sphere of action of these co-operative societies must not exceed the limits of one of the rural communes (§ 4).

The funds needed for the business of the Institute consist of:

- (1) the foundation capital;
- (2) deposits made by the associated banks;
- (3) loans contracted;
- (4) subventions granted by the State, either directly or under the form of loans on favourable terms;
- (5) amounts collected by the co-operative banks by means of deposits made in stamps.

The foundation capital of the Institute consists of 300,000 Finland Marks (3), in 3,000 shares, letter "A", of 100 marks each, reserved to the foundation members. This capital may be raised to 1,000,000 marks, by issue, at dates and for amounts fixed by the Board of Management, of shares, letter "B", only to be conceded to co-operative banks or members of the Board of Management of the Society, the inspectors or their substitutes. These shares shall be all inscribed (§ 7).

The shares of series "A" shall be gradually redeemed from the moment at which a special fund (Fund "A"), formed for the purpose, which we shall consider later on, reaches the amount of 50,000 marks. Every

(1) The figures given in parenthesis refer to the paragraphs of the original Rules.

(2) That is to say, on the basis of the kind of liability known in Germany under the name of "*Unbeschränkte Nachschusspflicht*".

(3) The Finland Mark (in Finnish *Markka*) of 100 penns corresponds exactly in value with 3 francs.



year at least 200 and at most 400 shares must be redeemed, being drawn for by lot, if on the first of October the number of shares fixed has not been redeemed in any other way (§ 10).

Any co-operative bank which applies for credit to the Central Institute must undertake to purchase one of the Society's shares for every 5,000 Marks (or fraction of that amount) of credit granted by the Institute. If one or more of the shares acquired in accordance with this regulation belong to series "A", they shall be immediately exchanged for an equal number of series "B" (§ 12).

The Society has a Board of Directors and a Board of Management.

The Board of Directors is composed of six members and six substitutes, all elected for a period of three years, the appointment of two of each class terminating every year in turn. The members of this board or their deputies may be elected also from among persons extraneous to the society, on condition, however, that they engage to acquire thereafter at least one share in the Society (§ 15).

The Board of Directors selects and appoints the Manager as well as two councillors to form the Board of Management, all three of whom may be dismissed by the Board of Directors. It also fixes the number of the employees of the Institute, and settles the regulations in accordance with which they are appointed or dismissed, as well as the remuneration they receive (§ 18).

The Board of Directors lays down general rules for the action of the Institute. It supervises this action and arranges for its development in accordance with the laws, the rules of the society and its interests. It has the entire supervision of the action and business of the Institute. Finally it calls the general meetings of the society and prepares the programme for discussion at the meetings (§ 18).

The Board of Management of the Institute consists, as we have just seen, of a Manager and two councillors. Questions of credit can only be dealt with by the Board in full meeting. All other matters relating to the management of the Institute are dealt with by the Manager alone, who also has to sign all acts on behalf of the Institute (§ 14).

The Manager and the two councillors attend the meetings of the Board of Directors with right to speak but not to vote. They may, however, vote in regard to the rate of interest charged by the Institute or the balancing of the accounts (§ 19).

The business year corresponds with the civil year, the annual report of the Manager must be submitted to the Board of Directors at latest on February 10th., and the three examiners appointed each year must present their general report at latest on March 15th. (§ 22).

Out of the eventual profits, when the accounts for the year are closed:  
15 % shall be placed to the Reserve Fund ;

25 % to a Special Fund for redemption of Shares of Series "A".

These once redeemed, the payments into the special fund will be continued until it amounts to 20,000 Marks, after which they will only be made in the proportion necessary to keep it at that figure.

These deductions made, the rest of the profits shall be distributed among the shareholders at the maximum rate of  $4\frac{1}{2}\%$  per share. An additional maximum amount of 1 % may be granted on shares of series "A", if the amount to be distributed suffices for this (§ 23).

All amounts remaining available after this distribution shall be paid into the reserve fund, or — from the moment this amounts to 1,000,000 marks — placed at the disposal of the general meeting of the shareholders of the Society. The latter may not in any case raise the interest of the Society's shares beyond the limits indicated (23).

Every shareholder may attend, either in person or by proxy, the ordinary general meetings, which must be held every year before the seventh of April, as well as the extraordinary general meetings, called whenever the Board of Management judges advisable (§ 26). The voting rights are as follows:

	1 or 2 shares	give right to one vote							
From	3 to 5	"	"	"	"	"	"	2	votes
"	6 " 10	"	"	"	"	"	"	3	"
"	11 " 20	"	"	"	"	"	"	4	"
"	21 " 40	"	"	"	"	"	"	5	"
"	41 or more	"	"	"	"	"	"	6	"

Proxies vote in accordance with the number of shares they represent (27).

### § 3. CONSTITUTION OF THE CENTRAL CREDIT INSTITUTE.

#### 1. *Share Capital.*

Long before these rules were approved, the founders of the new institution had already initiated a whole series of measures to ensure the collection of the capital required for beginning operations.

It was hoped there might be found among the agricultural classes the necessary number of foundation shareholders, and, consequently, subscription lists were circulated only in the rural communes of the country. The hopes founded on the interest of the agricultural population were, however, completely deceived, and, to obtain the number of foundation shareholders absolutely necessary, appeal had to be made to the town population and particularly to the intellectual classes. They, fortunately, responded with an enthusiasm exceeding the most hopeful anticipations and, thanks to them, the matter could be brought to a happy conclusion.

Of the 1,360 shares of Series "A" (that is to say shares reserved to the founders) subscribed at the date of the definite constitution of the Society, there were:

606 or 44.6 %	subscribed by	professors, functionaries etc.,
131 .. 9.6 %	.. ..	manufacturers or traders,
606 .. 44.6 %	.. ..	farmers,
17 .. 1.2 %	.. ..	rural associations.

And even among the farmers included in this list there was a large number of townfolk possessing country residences, and large land holders, comparatively very little interested immediately in the success of the undertaking.

We see the subscription of classes extraneous to the society, that is to say of those contributing out of a purely impersonal interest in this eminently patriotic work, considerably exceeds that of the classes the prosperity of which was especially contemplated in this bold undertaking of the "Pelervo."

The purely disinterested character of the subscriptions made by the urban and intellectual classes is seen also in the fact that at the end of the period with which we are concerned, that is to say after ten years, when the founders' shares of the society were already an excellent investment (1) three hundred and twenty or more than half the shares of this class had been already voluntarily transferred by their owners to local credit societies founded on the initiative of the institution, without it being necessary to have recourse to the drawings contemplated in the rules.

## 2. Working Capital.

At the same time as it was forming its share capital in this way, the Society, definitely constituted on May 14th., 1902, instructed its Board of Directors to take the necessary measures to obtain the State support promised by the Diet both under the form of an annual subvention and of a loan under conditions for repayment and at a rate of interest as favourable as possible.

On the favourable recommendation of the Senate, the Emperor and Grand Duke approved both on May 12th., 1903 and on June 4th. of the same year, the conditions on which this assistance would be granted to the society were definitely settled.

The Central Institute of the Co-operative Banks of Finland in the first place received an annual subvention of 20,000 Finland Marks (that is to say, 20,000 francs) as contribution to its working expenses. In addition, a credit of 4,000,000 Finland Marks was granted out of the State funds, to be drawn as required in amounts not to exceed 500,000 Marks at a time. The rate of interest for this credit was fixed at 3 %. In regard to the instalments for repayment, which were not to be exacted before 1909, it

(1) See below; § 8 Conclusion.

which date it was anticipated the whole credit would be exhausted, they were fixed at  $\frac{1}{2}$  % per ann.

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The necessary funds for the initiation of its work being thus assured, and all other preliminary steps having been brought to a satisfactory conclusion, the Society of the Central Credit Institute of Finland Co-operative Banks could, on July 14th., 1903, be legally entered on the Commercial Register, and, the staff chosen in advance having taken possession of the offices prepared by the "Pellervo", the Institute was able in the following month to initiate the series of its operations.

#### § 4. ORIGIN AND DEVELOPMENT OF THE LOCAL CO-OPERATIVE CREDIT BANKS.

In Finland, as indeed everywhere else, the principle of co-operation in regard to credit only received its practical application by means of the creation of local co-operative banks, as a consequence of intense and persistent propaganda. Inaugurated by the "Pellervo" at the moment of its foundation by means of lectures and publications of every kind, this propaganda at first gave comparatively unsatisfactory results. At the end of 1903 there were still only 24 local co-operative banks legally registered for the whole of Finland, while the numbers of the distributive co-operative societies and the co-operative dairies, for example, — in favour of which, however, the propaganda had been infinitely less energetic — were already, in the first case, 66, and, in the second, 75.

The announcement that the subvention in favour of the Central Institute of Finland Co-operative Credit Societies had been granted by the Government, which placed the Institute in a position in its turn to grant subventions to local co-operative banks, gave a new impulse to the foundation of the latter. During the next year, 1904, no less than 63 new co-operative banks were registered in the different regions of the country. This unexpected development led the promoters of the movement into the error of considering it definitely started and its success assured. The "Pellervo", which, with its limited resources, could hardly satisfy the requirements of the other branches of its activity, thought it could economise in regard to the propaganda in behalf of co-operative credit. The consequences of this economy were immediately felt. In the next two years, the number of newly registered local co-operative banks decreased to 51 in 1905 and was only 35 in 1906.

In view of this irrefutable proof of the importance of continuous and assiduous propaganda, the "Pellervo" immediately resumed its courses of lectures and its publications, completing the work by the introduction, into

the rules regarding the loans made by the Central Institute to the local co-operative banks, of certain facilities, of very little importance, however.

And again the effect was immediate, proving once more the importance of well understood propaganda for the practical progress of co-operative credit. In 1907 the number of new co-operative banks entered on the Commercial Register again rose to 64, in 1908 to 68 and in 1909 it was as high as 77.

From this moment a change was observable in the evolution of co-operative credit in Finland. On the one hand, certain difficulties, which we shall have occasion to consider later on, arose in regard to the grant of a second loan from the State when applied for by the Central Credit Institute, and the consequent uncertainty in regard to the future obliged the Institute considerably to limit its business. On the other hand, the progress, perhaps comparatively too rapid, made by the local co-operative banks in the above three years had caused some disorder in their administration, which obliged the Central Institute to make the conditions for credit to banks, above all those for supplementary credit, very justifiably more severe. These two circumstances, together with the unrest and general uncertainty in regard to political finance, caused by certain differences of opinion between the Diet of Finland and the Russian Government in regard to matters that do not come within the scope of the present study, induced the "Pellervo" again to limit its propaganda in behalf of a class of co-operative societies, the further natural development of which seemed, at least for the moment, to be seriously compromised by the uncertainty in regard to the matter of the grant of the second Government loan to the Institute.

Under these conditions, the number of new local co-operative societies registered soon decreased again very considerably. In 1910 only 33 new ones were registered in the Commercial Register, in the next year the number was reduced to 25. Finally in the last year of the period with which we are here concerned, that is to say, 1912, it was only 11.

Altogether, on January 1st., 1913, the total number of local co-operative banks registered in Finland since the beginning of the movement was 453. Of this number, 399 had been financed by the Central Credit Institute. Of the remaining 54, 22 were unable to apply for credit to the Institute as they did not yet satisfy the conditions imposed, 7 could not obtain assistance from it as they were not exclusively rural banks, and the applications of the others had been refused for one reason or another.

We see then that there was no voluntary renunciation on the part of the banks of the credit offered by the Central Institute. If it was not obtained, it was always owing to some defect, either simply to an imperfection in the organization or in the management of the business of the banks themselves. All those the management and organization of which were in conformity with the rules based on experience laid down for the serious and solid constitution of a rural credit co-operative bank had recourse to the good offices of the Central Institute. So we need, in all the rest of this study, only take these into consideration, neglecting those the Central Institute did not think it should or could subsidise.

So much said, the 399 banks we have to consider in this essay, were distributed as follows in the various provinces on January 1st., 1907 and 1913 respectively.

	Number of Banks	
	In 1907	In 1913
Province of Nyland . . . . .	3	10
» » Åbo and Björneborg . . . .	8	19
» » Tavastehus . . . . .	2	9
» » Uiborg . . . . .	60	126
» » St. Michael . . . . .	7	37
» » Kuopio . . . . .	35	116
» » Vasa . . . . .	14	31
» » Uleåborg . . . . .	19	51
Finland . . . .	148	394

#### § 5. LOANS MADE BY AND TO THE CENTRAL CREDIT INSTITUTE.

##### (A) *Loans Received.*

We saw above that on May 12th., 1903, the Emperor Grand Duke accorded to the Central Credit Institute out of the Government funds, a credit of 4,000,000 Finland Marks, to be granted as required in amounts not exceeding 500,000 marks each. The rate of interest fixed was 3%, to which there was to be added from the year 1909 an annual instalment of  $\frac{1}{2}$  % towards repayment of the loan.

The capital thus placed at the disposal of the Central Institute not having been entirely drawn in 1909, the Government permitted that the instalments for repayment should begin only in 1912. By January 1st., 1913, on which date the period with which we are occupied closes, therefore, only a single instalment had been paid (20,000 Finland Marks) and the debt of the Institute to the State remained altogether 3,980,000 Finland Marks.

In view of the approaching exhaustion of the credit represented by this first State loan and the consequent necessity of providing for future requirements, the Central Credit Institute applied, at the beginning of the year 1908, for a second credit out of the State funds, for a total amount of 5,000,000 Finland Marks, in instalments of 1,250,000 Marks a year in the years 1910, 1911, 1912 and 1913. In consequence of differences arising between the Finland and Russian authorities in regard to the investment of the funds

of the State, the Government considered it could only grant the first instalment of 1,250,000 Marks of the loan applied for, without refusing to grant the three others in due course, should the general state of the finances permit. With regard to interest and repayment the conditions were similar to those for the first loan.

In view of the uncertainty of future continuous assistance from the State, this solution could not satisfy the Board of Management of the Central Credit Institute and new negotiations were entered into in regard to the matter, which had led to no positive result by January 1st., 1913.

Meanwhile the Institute decided to reduce its business, and so it was able, within the period we are considering, to limit the amount actually drawn of the first annual instalment of the second loan granted by the State to 100,000 Marks.

Adding to the above an amount of 2,000 Marks received by the Institute out of the State assistance funds for a special loan to a commune suffering by famine, we find that the total debt of the Central Credit Institute to the State was on January 1st., 1913, 4,080,000 Finland Marks.

#### (B) *Loan Service.*

##### 1. *Conditions on which the Institute lends.*

The Central Credit Institute of Finland Co-operative Banks only grants loans to those co-operative credit banks which are strictly rural in character and the members of which engage in writing to accept that form of unlimited liability to pay calls, known in Germany under the name of "*unbeschränkte Nachschusspflicht*".

The conditions necessary in order that this collective engagement may be considered by the Institute as really effectual and valid are the following:

- (1) Except in special cases, the co-operative banks, before they can obtain material assistance from the Institute, must have at least 15 members.
- (2) Amongst these members there must be a certain number of more or less wealthy landholders.

Further and above all in cases of supplementary loans, the Institute takes into special consideration the amount of the capital formed and owned by the bank.

Finally, before granting a loan to a co-operative bank or opening credit for it, the Central Institute always sends an expert to the locality to study the general and social conditions, especially in regard to agriculture and education. The expert in question must also present a detailed report with regard to the various members of the bank and especially of the Board of Management as well as the accountant and the cashier.

As an appendix to the present article we give a translation *in extenso* of the General Conditions on which the Central Credit Institute grants loan to Local Co-operative Banks" (1).

(1) See the appendix to the present article.

In the following table we give the number of members of the local co-operative banks that have received credits from the Central Institute, as well as the amount of the annual income and the assets of the members.

TABLE I. — *Total Number, Annual Income and Assets of the Members of the Co-operative Credit Banks*

Years	Number of Banks	Number of Members Registered with the Banks		Annual Income of Members According to the Register of Taxation		Estimated Assets of Members	
		Total	Average per Bank	Total	Average per Member	Total	Average per Member
				Fmk. (1)	Fmk.	Fmk.	Fmk.
1903 . . . . .	8	253	32	332,010	1,378	1,918,250	7,960
1904 . . . . .	57	1,724	30	1,930,352	1,232	11,861,195	7,569
1905 . . . . .	119	3,662	31	3,275,056	1,062	18,703,785	6,063
1906 . . . . .	143	4,930	34	4,257,028	994	23,885,090	5,575
1907 . . . . .	206	8,231	40	6,463,098	920	35,942,370	5,115
1908 . . . . .	262	11,745	45	9,455,041	928	52,779,680	5,183
1909 . . . . .	336	15,688	47	11,294,495	832	71,239,644	5,293
1910 . . . . .	370	17,494	47	12,576,162	824	83,790,804	5,490
1911 . . . . .	397	15,546	47	14,037,702	841	95,442,201	5,718
1912 . . . . .	399	—	—	15,203,731	819	110,687,678	5,962

(1) Fmk. (or Smk.) is the official abbreviation of the expression Finland marks.

We show below the social position and profession of the members of the Local Banks in 1905 and 1910.

TABLE II. — *Social Position of the Members of the Credit Co-operative Banks.*

Year	Total Number of Members Supplying Information	Agricultural				Not Agricultural			
		Landholders	%	Tenant Farmers	%	Artisans	%	Members of the Intellectual Classes	%
1905	3,912	2,985	76.3	576	14.7	140	3.6	211	5.4
1910	15,319	10,768	70.3	3,915	25.6	400	2.6	236	1.5



*2. Amount of Credit Granted by the Central Credit Institute  
to the Local Co-operative Banks.*

The first credits opened to a local co-operative bank of recent creation, or managed by persons still new to the work are of course comparatively small : between 3,000 and 5,000 Finland Marks.

As a rule, supplementary credits are only granted to these local banks after at least one general inspection by the Central Institute.

The amount of the credits of this latter class increases in proportion as the bank gives proof of solidity and good administration.

In addition to these general principles, the grant of credit to local banks is regulated on the following lines :

The amount of the loans granted to them must not, as a rule, exceed that of 300 Marks multiplied by the number of members of the Bank.

The maximum total amount of loans granted to one and the same co-operative bank must not exceed half the total amount of the annual income of all the members of the bank.

Finally, this maximum amount of loans must not be more than 10 % of the total amount of the personal assets of all the members of the Bank.

When the Institute began its operations, the Board of Directors further stipulated that the loans made to any local co-operative bank must never exceed a total amount of 10,000 Finland Marks. Today these limits have been suppressed and full liberty in the matter is left to the Board of Management of the Institute.

The two following tables show the development of the credit granted in the first ten years of its life by the Central Credit Institute to the local co-operative banks :

TABLE III. -- *Amount of Credit Annually Granted to the Local Banks by the Institute.*

Years	Number of Banks Assisted	Credit Applied for	Credit Opened					Credit Profited by			
			Total	Average per Bank	Average per Member of Bank	% of the Annual Income of Members	% of the Assets of Members	Total	Average per Bank	Average per Member of Bank	% of Credit Opened
			Fmk. (1)	Fmk.	Fmk.	Fmk.	Fmk.	Fmk.	Fmk.	Fmk.	Fmk.
1903	10	114,000	79,000	7,900	328	23.8	4.1	41,950	4,195	174	53.1
1904	69	629,800	428,700	6,213	274	22.2	3.6	264,083	3,827	169	61.6
1905	119	1,015,300	833,750	7,006	270	25.5	4.5	622,663	5,232	202	74.7
1906	148	1,384,050	1,225,350	8,279	286	28.8	5.1	948,501	6,652	230	80.3
1907	210	2,302,550	2,058,050	9,848	294	31.4	5.8	1,705,968	8,114	243	82.5
1908	268	3,688,830	3,257,650	12,155	320	34.5	6.2	2,878,086	10,739	283	88.4
1909	340	5,490,380	4,900,650	11,767	297	35.7	5.6	3,661,519	10,772	272	91.5
1910	374	6,524,830	4,388,000	11,733	288	34.9	5.2	3,867,089	10,340	253	88.0
1911	398	7,134,300	4,738,600	11,906	284	33.8	5.0	3,931,832	9,879	236	83.0
1912	399	7,712,700	4,990,100	12,507	269	32.8	4.5	4,113,103	10,309	222	82.4

(1) Fmk. (or Smk.) is the official abbreviation of the expression Finland Mark.

This table shows us in the first place that the Institute is less and less able to satisfy all the needs of the banks for credit. It shows us also that the average amount of credit granted per bank increases annually, but that in proportion to the share of each of the members or the amount of their income or of their assets, this average has been appreciably lower in the later years of the period considered, and since 1908 it has remained constantly less than was stipulated in the provisions.

TABLE IV — *Distribution of the Local Banks according to the Amount of Credit Granted to them between 1903 and 1913.*

Years	Number of Banks to which Credit was Opened	Distribution of the Banks, according to the Amount of Credit Granted						20,000 Fmk. and over
		Less than 3,000 Fmk.	Between 3,000 and 5,000 Fmk.	5,000 Fmk.	Between 5,000 and 10,000 Fmk.	10,000 Fmk.	Between 10,000 and 20,000 Fmk.	
1903 . . .	19	—	2	2	2	3	—	1
1904 . . .	69	5	16	18	18	9	1	2
1905 . . .	112	7	24	31	29	13	11	4
1906 . . .	148	6	22	26	48	22	15	9
1907 . . .	210	7	18	38	62	25	44	16
1908 . . .	268	7	20	25	70	35	68	43
1909 . . .	340	9	31	39	86	36	88	51
1910 . . .	374	8	36	37	101	31	106	55
1911 . . .	398	8	35	36	109	38	111	61
1912 . . .	399	6	32	32	92	45	124	66

From the figures in this second table it appears that whilst the number of small credits tends to decrease, that of large credits, on the contrary, increases from year to year in very considerable proportion. At the end of the period here studied, the most considerable credits granted by the Central Credit Institute to the local co-operative banks were for 50,000 and even 60,000 Finland Marks.

### 3. *Objects for which Credits were granted to Local Banks.*

At the start the Central Credit Institute only granted credit to the local co-operative banks in order to enable them to grant their members short term loans of amounts not exceeding 2,000 Finland Marks, exclusively for the improvement of purely agricultural holdings.

This rule was first deviated from in January, 1908, when the Board of Directors of the Institute decided that it would in the future be able to grant mortgage loans on the security of growing forests, thus enabling the proprietors to wait for a more favourable moment, or until the trees had time to grow, before working the forests.

In March, 1912, the original rule was further departed from. The Board of Directors then decided that the Institute might grant credits to enable the local banks to make long term loans, in case such loans were applied for in order to facilitate the cultivation of holdings still uncultivated.

Finally, in December, 1912, detailed rules were drawn up for the grant of credit for loans for the organization of the co-operative sale of the farm produce of the members of the local co-operative banks.

Unhappily, the uncertainty referred to above in connection with the grant to the Central Credit Institute of a second loan out of the State funds obliged the Board of Directors of the Society to renounce, for the moment at least, any idea of the further extension of the sphere of action assigned to the Institute at its foundation; and no credit for any of the three new purposes mentioned could actually be accorded, except in the single instance of a mortgage loan on forests, approved before there was any ground for thinking that the second State loan would be more difficult to obtain than the first.

#### *4. Rate of Interest.*

We saw above that the Central Institute pays an annual interest of 3 % and an instalment of  $\frac{1}{2}$  % for repayment of the loan or altogether 3  $\frac{1}{2}$  % on the amounts placed at its disposal by the State. Under these circumstances and in consideration of the general economic situation at the beginning of its action, the Institute fixed the interest to be paid by the local co-operative banks for the loans granted them at 4  $\frac{1}{2}$  %.

The general economic situation, however, improving and the business of the Institute progressing very satisfactorily, the Board of Directors thought that they could lower the rate of interest, from May 1st., 1906, to 4 %. But it was unhappily impossible long to give such favourable conditions.

On the one hand, the current rate of interest having risen generally in the whole country, the singularly advantageous conditions offered by the Institute led to abuses on the part of certain banks, and it was necessary to prevent these becoming general. On the other hand, the difficulties that arose in regard to the second State loan and the consequent uncertainty in respect to the future urged the society in the direction of prudence and economy. In consideration of these circumstances, the Board of Directors decided to return to the original rates and from June 1st., 1909, 4  $\frac{1}{2}$  % was again charged. This remained the rate for all the rest of the period with which we are concerned.

#### § 6. WORK OF THE LOCAL CO-OPERATIVE BANKS.

We saw above that the Central Institute only grants credits to local banks after a minute and strict investigation into the general conditions of their organization, their working and their solvency. After the grant of credit has been made, the vigilance of the Central Institute only increases and for every amount the local banks draw of the credits opened to them

they must present a report, showing the members to whom they intend to lend, the amount and period of the loans, the conditions for repayment and, above all, the object for which the loan is granted. It is only after the Board of Management has approved all the details of this report that the amount applied for is paid over to the Bank.

Now this approval is only given when the following conditions have been accepted by the Board of Management of the local bank:

(1) A loan can only be granted for the improvement of the business of the borrower himself;

(2) The amount is only to be paid at the moment when it is to be employed for the object intended;

(3) The loan must not exceed the amount strictly necessary for the object;

(4) The term of the loan must not exceed that strictly necessary in order that the borrower may derive the benefits for his business, for the purpose of which the loan was made;

(5) The conditions for repayment must be as easy as the local circumstances, the character of the work contemplated and the individual situation of the borrower permit.

A few tables will show, better than long explanations, what progress has been made by the local co-operative banks, during the period we are studying, under this strict supervision on the part of the Central Institute.

TABLE V. — *Number and Total Amount of the Loans Granted by the Local Banks.*

Years	Number of Banks Furnishing Information	Amount of Loans		Number of Loans		Average Number of Loans Granted
		Total in Fmk.	Average per Bank in Fmk.	Total	Average per Bank	
1903 . . . . .	8	41,220	5,153	203	25	203
1904 . . . . .	55	276,745	5,032	1,661	30	167
1905 . . . . .	118	549,408	4,656	3,906	33	141
1906 . . . . .	136	666,516	4,901	4,700	35	142
1907 . . . . .	197	1,240,359	6,296	7,497	38	165
1908 . . . . .	252	2,180,915	8,654	11,774	47	185
1909 . . . . .	332	2,199,401	6,625	13,827	42	159
1910 . . . . .	353	2,137,668	6,056	15,589	44	137
1911 . . . . .	390	2,491,104	6,337	18,104	46	138

Here, as in the preceding tables, we see the effects of the crisis caused in 1909 by the uncertainty as to the grant of the second Government loan

to the Central Institute. The applications for credit, and the total amount of credit granted, whether by the Central Institute or by the local co-operative banks increased continually and regularly. On the other hand, the amounts of the loans granted were, for this reason, necessarily reduced. On the expiration of the period we are studying the average was, we see, 138 Finland Marks per loan. In Austria the corresponding average was at that date 260 Fmk., in France, 779 Fmk., and in Germany it reached the amount of 961 Fmk.

We shall now give the total figures for the distribution of the loans granted by the local co-operative banks according to the term allowed for their repayment :

TABLE VI. — *Terms for Repayment of Loans Granted by the Local Banks.*

Years	Number of Loans Granted for			Percentage of the Various Classes of Loans		
	1 Year or less	Between 1 and 3 Years	Over 3 Years	Loans for 1 Year or less	Loans for between 1 and 3 Years	Over 3 Years
1903 . . . . .	110	67	26	54.2	33.0	12.8
1904 . . . . .	643	785	233	38.7	47.3	14.0
1905 . . . . .	1,467	1,857	582	37.6	47.5	14.9
1906 . . . . .	1,608	2,471	621	34.2	52.6	13.2
1907 . . . . .	2,028	3,864	1,605	27.1	51.5	21.4
1908 . . . . .	2,931	6,269	2,574	24.9	53.2	21.9
1909 . . . . .	3,499	7,664	2,664	25.3	55.4	19.3
1910 . . . . .	3,625	9,124	2,840	23.3	58.5	18.2
1911 . . . . .	5,028	10,256	2,820	27.8	56.6	15.6

We see that from 1909 there has been a very marked tendency to reduce as far as possible the number of long term loans. This is not only due to the difficulties caused by the often mentioned crisis originating in connection with the grant of the second Government loan, but also, and even chiefly, to the systematic action of the Central Credit Institute, opposed on principle to long term loans.

If now we classify the loans granted by the local co-operative banks according to the objects for which they were granted, we obtain the following figures :

TABLE VII. — *Object of the Loans Granted by the Local Banks.*

Years	Total Number of Loans Granted	Percentage of Loans for Different Objects				
		New Crops and Farm Improve- ments	Purchase of Implements, Machinery, Manures etc.	Purchase of Livestock	Building	Miscellane- ous
1903 . . . . .	203	28.6	19.2	16.7	7.9	27.6
1904 . . . . .	1,661	44.8	24.6	14.9	9.9	5.8
1905 . . . . .	3,906	41.5	25.5	16.6	12.2	4.2
1906 . . . . .	4,700	39.8	23.0	16.0	16.1	5.1
1907 . . . . .	7,497	42.2	21.2	14.5	16.2	5.9
1908 . . . . .	11,774	38.9	18.1	13.8	17.2	12.0
1909 . . . . .	13,827	43.1	18.0	11.6	18.4	8.9
1910 . . . . .	15,589	41.2	18.9	12.7	18.3	8.9
1911 . . . . .	18,104	38.0	25.8	11.3	18.1	6.8

At the commencement of our period, the loans granted for purchase of livestock and those for miscellaneous purposes were far more numerous than afterwards. The decrease is due to the severity of the Central Institute, which, finding that this group of loans often gave rise to abuses of various kinds, decided to engage the local banks only to grant them under conditions of quite special supervision. Similar instructions have been given to the banks in regard to loans for building, the Central Institute considering as more or less unproductive a large number of these undertakings, especially those only intended for the improvement or embellishment of the farmers' dwellings. Naturally, here also the strictness of the Central Credit Institute was largely due to the uncertainty with regard to the uninterrupted continuation of State assistance to the work of the society.

Let us now pass on to consider the fluctuations in the general business of the local co-operative banks, limiting our attention to its purely pecuniary business.

TABLE VIII. — *Fluctuations in the General Business of the Local Banks.*

Years	General Total of Business Done	Average Total of Business Done		Working Capital as Percentage of Total of General Business	Number of Banks of which the Total Business was							
		Per Bank	Per Member of Bank		From 1,000 to 5,000 Fmk.	From 5,000 to 10,000 Fmk.	From 10,000 to 25,000 Fmk.	From 25,000 to 50,000 Fmk.	From 50,000 to 75,000 Fmk.	From 75,000 to 100,000 Fmk. and over		
1908	5,275,800	20,053	457	60	23	44	122	53	12	2	1	
1909	6,228,351	18,622	398	67	25	70	174	51	11	3	1	
1910	6,793,725	18,613	394	66	39	78	173	56	16	1	2	
1911	7,309,418	18,742	399	64	40	85	175	74	13	1	2	

Here we see better than anywhere else the paralysing effect of the uncertainty in regard to further State assistance. Since the large decrease observed in 1909 in the average total business both per bank and per member of the banks, there has not been any return to the earlier figures. The natural progress has been completely arrested and the inferior position of the Finland Banks as compared with those of other countries has only increased instead of diminishing. We give below the corresponding averages per Bank and per member in some other countries:

	General Business	
	per Bank	per Member
Germany (1910) . . . . .	478,675	5,067
Austria (1907) . . . . .	182,037	1,475
Bulgaria (1909) . . . . .	63,304	883

We give below a summary of the balance sheets of all the local co-operative banks supplied by the Central Credit Institute for the period we are considering:



TABLE IX. — *Summary of the Balance Sheets of the Finland Co-operative Credit Banks.*(A) *Credits.*

Year (Ending 31st December)	Number of Banks Supplying Information	Assets				Total Assets	Losses
		Cash	Credits	Shares (actions and parts) in Central Co-operative Institutions	Stock		
1903	8	3,020.68	44,504.00	1,400.00	343.83	49,268.51	160.86
1904	57	15,977.90	272,928.83	7,009.95	1,227.52	297,144.20	1,678.27
1905	119	39,320.36	648,186.41	16,613.25	1,061.07	705,181.09	2,007.45
1906	139	60,593.35	968,415.46	22,804.25	1,194.52	1,053,727.58	912.27
1907	205	83,252.25	1,785,699.43	39,486.30	6,127.66	1,914,565.64	1,273.59
1908	259	125,708.43	3,010,217.16	62,878.55	10,000.17	3,208,804.31	1,383.73
1909	335	205,098.63	3,863,677.35	78,789.50	40,395.74	4,187,961.22	1,736.39
1910	366	195,991.74	4,197,044.40	87,887.68	44,806.03	4,525,729.85	2,607.73
1911	390	203,791.65	4,362,843.67	95,132.40	47,376.16	4,709,143.88	2,736.55

(B) *Debits.*

Year (Ending 31st December)	Debits				Total Debits	Net Profit
	Subscriptions Paid	Reserve Funds and Available Amounts	Debt to the Central Credit Institute	Savings		
1903	1,519.00	208.10	47,328.19	205.75	49,306.04	123.27
1904	15,550.37	1,845.40	272,554.01	7,320.87	297,270.65	1,551.82
1905	42,959.87	5,938.77	642,725.93	11,189.40	702,813.97	4,374.55
1906	71,309.01	12,946.41	936,686.46	20,927.21	1,041,869.09	12,770.73
1907	119,405.45	30,304.56	1,702,633.29	43,495.40	1,895,838.70	20,000.55
1908	184,238.70	57,926.03	2,880,516.11	52,292.35	3,174,973.19	35,214.85
1909	269,427.92	99,585.88	3,723,884.39	59,803.54	4,152,701.73	36,995.83
1910	352,236.82	139,242.83	3,923,106.75	76,721.39	4,491,397.79	36,930.85
1911	428,925.60	180,636.95	3,951,747.51	106,674.93	4,667,984.99	43,895.74

## § 7. MANAGEMENT, SUPERVISION AND INSPECTION OF THE WORK OF THE LOCAL CO-OPERATIVE BANKS.

We have had occasion to point out above the strictness of the investigation the Central Institute has carried out before granting the smallest credit to a local bank. This investigation is, however, only the beginning of a constant assiduous supervision to which the bank has to submit from the moment it is effectively included among the customers of the Institute.

Let us observe next that, far from assuming the character of an inquisitorial control this supervision, on the contrary, takes the form of instructive guidance of the action of the banks. Its principal object is to obtain that the members of the board of management and above all the bookkeepers and cashiers of the local cooperative banks may be competent for their work, acquainted with commercial bookkeeping, but also and above all with the principles of co-operation generally and the mechanism of co-operative credit in particular.

Starting with this idea, the Central Institute begins by placing at the disposal of those concerned everything needed to enable them to obtain the necessary knowledge. It furnishes every local bank dependent on it with bookkeeping manuals and forms gratis; it sends it, also gratis, the "Suomen Osuustoimintalehti" (Review of Co-operation in Finland), supported and edited collectively by all the central co-operative institutions of the country, with a strictly educational object.

The Institute goes even further. Together with the other central institutions, it has founded and supports the Helsingfors Co-operative Institute, an advanced school, in which special courses are given, amongst them courses for bookkeepers and cashiers of the local co-operative banks. And as the complete courses, in a town where living is fairly dear, cannot be followed by all, the Institute organizes every year, in about ten other parts of the country, rapid courses of instruction not only for bookkeepers and cashiers, but also for members of the boards of management of the banks. And to facilitate a larger attendance at these courses, of course entirely free, the Institute gives every year from twenty to thirty bursaries to poor bookkeepers and cashiers who desire to attend them.

Let us finally add, that when the local banks are unable, for want of funds, to engage a really competent bookkeeper and cashier, the Institute endeavours to supply the need, granting the bank, either the whole or at least part of the amount required for the employee's salary.

Under these circumstances it is to be understood that the Institute cannot only desire but *require* that the management of the local banks should be more or less uniform in a technical sense and should not show too many or too serious defects when inspected by its order.

As a result of an agreement entered into between the Central Institute and the "Pellervo", most of these inspections are carried out by expert

teachers belonging to the "Pellervo". They are carried out on a uniform plan prepared in advance and all the details of the management of the bank are examined, and the result is communicated to the Board of Management of the Central Institute which studies them with particular attention.

According to the results of the inspection, the banks are classified as "good", to which special favours may be granted by way of encouragement, "fair", to which advice is given, and, finally, "badly managed", in respect to which more serious measures are taken, if advice, instruction and exhortation prove insufficient.

The coercive measures, to which the Institute may resort, in case persuasion is ineffectual, vary according to the seriousness of the case. If, for example, it is only a question of the keeping of the books, want of order and judgment in the grant of loans, want of energy in applying the regulations etc. the Institute limits itself to requiring that the bank engage another bookkeeper and cashier, or even appoint a new Board of Management.

If, on the contrary, there are more serious defects, or the same defects are found repeatedly in spite of the remarks of the inspectors and, if, finally, the former measures are not sufficient for the re-establishment of good order, the Central Institute may close its account with the Bank in fault, and take legal measures to obtain the immediate repayment of any amounts already lent.

It is seldom such extreme measures are resorted to. In the whole period with which we are concerned, it is true such action was sanctioned thirty two times. But it is well to observe that in twenty of these thirty two instances the banks concerned, at the last moment, took such steps that it was possible to renounce taking action. In the case of the twelve Banks against which action was really taken, when they found all credit denied them by the Central Institute, eleven of them wound up their business without the Institute suffering loss, and only one had to be declared insolvent at the instance of the Institute.

The examples thus made had salutary results. They greatly facilitated the work of education and purification undertaken by the Central Institute, and if, at the present moment, the Finland co-operative societies are generally working in the most satisfactory way, it cannot be gainsaid that it is to the strict educative supervision of the Central Institute they largely owe it.

#### § 8. PROGRESSIVE DEVELOPMENT OF THE GENERAL BUSINESS OF THE CREDIT INSTITUTE.

Let us close our study with the following tables, indicating the progressive development of the business of the Central Credit Institute during the first six years of its work.

Years	Revenue					Expenditure										Net Annual Profit
	Particulars					Particulars					Particulars					
	Total	Interest Collected	State Subvention	Profits on Bond Account	Bad Debts Paid	Miscellaneous	Total	Interest Paid	Salaries etc.	Working Expenses	Placed to Bad Debt Account	Repayment Installments on				
												Stock	Other	Ac- counts		
1903 . .	39,340.70	19,340.70	20,000.00	—	—	—	31,311.63	3,000.00	11,833.31	6,911.80	—	655.59	8,860.93	8,029.05		
1904 . .	48,671.89	28,671.89	20,000.00	—	—	—	38,738.17	10,250.00	18,716.64	8,931.09	—	820.45	—	9,033.72		
1905 . .	70,216.43	50,216.43	20,000.00	—	—	—	49,938.59	24,000.00	15,820.00	9,553.59	—	554.70	—	20,278.14		
1906 . .	76,192.01	56,192.01	20,000.00	—	—	—	54,532.72	29,250.00	16,480.00	8,445.77	—	276.95	—	21,659.39		
1907 . .	95,649.31	75,649.31	20,000.00	—	—	—	74,982.88	43,900.00	15,590.00	9,111.79	—	276.00	4,105.09	22,666.43		
1908 . .	134,512.41	114,512.41	20,000.00	—	—	—	110,004.31	72,665.00	17,120.00	11,291.96	—	618.45	8,349.10	24,079.90		
1909 . .	200,840.02	176,319.45	20,000.00	824.57	—	3,696.00	176,832.33	110,438.31	23,425.00	24,877.69	13,763.11	1,611.25	2,686.45	24,007.69		
1910 . .	220,664.97	198,171.10	20,000.00	1,475.48	—	918.00	184,966.11	120,060.00	27,542.50	25,946.64	10,984.97	392.00	—	35,658.85		
1911 . .	221,282.83	198,663.18	20,000.00	397.40	1,765.15	1,674.20	198,288.53	120,910.00	34,918.29	26,279.50	16,150.98	—	—	23,534.00		
1912 . .	225,032.38	204,310.88	20,000.00	22.50	1,014.20	1,675.00	200,777.24	122,460.00	35,800.00	30,437.88	—	3,773.55	8,105.81	24,255.54		

TABLE VI. — *Summary of Balance Sheets of the Central Credit Institute from 1903 to 1912, in Finland Marks.*

Years	Credits				Debits				Net Annual Profit				
	Particulars				Particulars								
	Total	Cash to Co-operative Banks	Deposits in Bank	Bonds and Shares	Stock	Total	Share Capital	Reserve Fund		* A. Reserve Fund	Dividends not Drawn	Govern-ment Loans and Interest	Accounts not Settled
1903	611,529.07	4.29	42,186.83	565,688.35	—	655.62	663,300.00	300,000.00	—	—	303,300.00	—	8,099.07
1904	1,150,877.79	207.01	270,088.49	844,071.84	—	810.45	1,151,154.07	300,000.00	1,204.36	2,097.27	—	86,035.00	9,933.72
1905	1,138,612.93	806.79	941,274.79	514,676.60	150.00	554.75	1,137,984.79	300,000.00	2,694.42	4,490.70	4,554.00	834,000.00	20,278.14
1906	1,475,653.22	143.74	978,017.64	2,104,286.28	287,691.93	277.00	1,454,313.93	300,000.00	5,736.14	9,560.24	7,834.00	1,129,250.00	21,639.29
1907	2,402,395.63	396.63	1,755,790.28	359,550.85	286,286.89	1.00	2,370,779.22	300,000.00	8,631.03	14,770.66	8,948.00	2,013,900.00	22,666.43
1908	3,443,314.55	41.10	991,022.63	2,004,533.34	278,206.89	1.00	3,448,816.65	300,000.00	12,381.69	20,636.67	10,145.00	3,077,635.00	24,597.90
1909	4,505,981.18	753.70	3,802,437.07	413,944.14	288,847.27	1.00	4,481,075.49	300,000.00	16,058.17	35,763.11	11,071.00	4,110,438.33	24,007.69
1910	4,551,364.68	547.96	4,033,215.32	230,802.66	286,297.74	1.00	4,515,775.82	300,000.00	19,659.32	32,765.57	24,748.08	4,122,060.00	35,638.86
1911	4,078,963.16	6,570.12	4,166,881.33	265,040.54	299,660.15	1.00	4,534,539.16	300,000.00	25,005.15	41,575.29	40,889.06	4,222,910.00	23,554.00
1912	4,465,114.80	12,000.00	4,376,164.73	314,554.04	301,753.15	1.00	4,642,272.16	300,000.00	26,811.78	42,570.00	42,310.00	4,314,400.00	24,000.00

The net total profit for the whole period under consideration was, as seen, 206,451.37 Finland Marks. In accordance with the rules of the Society of the Institute, 15 % of this amount, or 30,967.69 Marks, were divided into the reserve fund and 25 % or 51,612.86 Marks, into the special "A" fund, formed, as we have seen, for the redemption of shares of series "A" reserved to the founders of the Institute.

The total amount of dividends paid to shareholders of this last class was 99,513.50 Finland Marks, or 48.23 % of the subscribed capital, distributed as follows :

Year 1903 . . . . .	0 % of the capital
" 1904 . . . . .	3 % " " "
" 1905 and 1906 . . . . .	4 % " " "
" 1907 . . . . .	4 ½ % " " "
From 1906-1912 . . . . .	5 " " "

In regard to the local co-operative banks, holding shares of section "A" (ordinary shares), they received altogether 20,061.50 Finland Marks or 7.72 % of the subscribed capital.

Altogether, the Central Credit Institute of the Co-operative Banks in Finland has contributed considerably to obtain for the farmers of the country the working capital necessary to develop their farms. It has thereby raised their conception of the real value of co-operative credit and prepared them for collective economic business and the reasonable employment of agricultural credit.

#### APPENDIX.

##### GENERAL CONDITIONS ON WHICH THE CENTRAL CREDIT INSTITUTE GRANTS LOANS TO CO-OPERATIVE BANKS.

In order that a co-operative credit bank may obtain a loan from the Central Credit Institute of Finland Co-operative Banks it must be constituted in conformity with the Law on Co-operative Action and in its administration and the conduct of its business it must observe the rules laid down by the Central Institute. For the moment these rules are as follows:

#### § 1

In regard to its objects, its organization, its management, as well as the conduct of its business, the Bank must observe the following regulations:

- (1) There must be unlimited liability on the part of all members to pay calls.

(2) The sphere of action of the bank must be limited to a well defined rural district, not too large, for example, a few landed estates adjoining each other, a village or a small densely populated commune.

(3) It must pay interest of not more than 5 % on the payments made by members.

(4) None of the board of management and none of the office except the bookkeeper, may be paid. If it is impossible to obtain a capable bookkeeper without salary, or if the business of the Bank is such importance that it is not to be reasonably expected that anyone would undertake the bookkeeping and the accountant's work without remuneration, the employee engaged for the purpose may receive a fixed salary, with any percentage whatever on the amount of the business done or the profit made.

(5) The bank must only grant loans to its own members for a strictly defined purpose, such that its realisation may directly benefit the borrower's farm.

(6) In order to increase the knowledge of the members of the bank both in respect to agricultural technique and co-operation, and to enable them to utilise the loans granted them by the bank, in the most satisfactory manner, the members must, either as subscribers or in any other way, regularly receive the review "Pellervo", or some other publication of similar character approved by the Central Credit Institute.

(7) If the bank makes collective purchases or if it grants its members loans with a view to purchases of the kind, it must do so in accordance with co-operative principles and in conformity with a general plan approved by the Central Credit Institute.

(8) If the borrower uses the amount received as a loan from the bank for a purpose other than that indicated in his application, and if the board of management of the bank does not approve this change, the loan shall be cancelled and immediate repayment demanded.

(9) Except for the regular payments into the reserve fund and interest legally due to members, the profits realised by the Bank must be all placed to its reserve fund, or to a special fund to be only drawn for objects of collective progress or co-operative work.

## § 2.

The mere fact of having received a loan from the Central Credit Institute implies an engagement on the part of the bank receiving to accept the supervision of the Institute and to authorize it to supervise and inspect whenever it judges expedient, the management of the bank, its accounts and the conduct of its business.

All the books of the bank, as well as the documents referring to loans granted by it must be in perfect conformity with the forms approved by the Board of Management of the Central Credit Institute.

## § 3.

Applications for credit must be made in writing and addressed to the Central Credit Institute. They must be signed by all the members of the board of management themselves as well as by the bookkeeper. They must contain:

(1) An undertaking to conform precisely with all the conditions laid down for the loan as well as with the suggestions and corrections made by the Central Credit Institute.

(2) Precise indication of all the loans contracted by the bank both with its own members and strangers, as well as of the total amount of such loans and indication also of the amounts possessed by the bank under form of shares, reserve fund or savings deposits.

(3) An undertaking to purchase a share in the Central Credit Institute for every 5,000 Marks of credit granted.

Applications for credit must further be accompanied:

(1) By a complete list, in accordance with a form drawn up by the Central Credit Institute, of all the members of the bank, giving in each case the name, place of fixed residence, amount of annual revenue according to the last income tax list, and, finally, indication of the total amount of the assets of each member, according to a conscientious estimate made by the board of management of the bank, allowance being made for eventual debts.

(2) By an extract from the report of the general meeting of the members of the Bank, containing the resolutions taken with regard to the total maximum amount of loans and savings deposits the Bank guarantees at one time, as well as the maximum amount it can grant its members. This report must further show the decision of the Bank as to its acceptance, in regard to the work of its board of management and its bookkeeper, of a rule in conformity with the model established by the Credit Institute, with precise and detailed indication of any alteration the meeting may have judged advisable to make in this model.

## § 4.

If, in consideration of the documents mentioned in the preceding paragraph, as well as of other circumstances duly established, the Board of Management of the Central Credit Institute thinks the bank deserving of the credit applied for, it will be granted up to the amount allowed by the financial conditions of the Institute and demanded by the credit requirements of the bank. The decision of the Board of Management of the Institute will be communicated to the board of management of the bank in writing.

## § 5.

The credit granted to each bank will take the form of an opening in current account up to the day on which the contract is denounced by one or other of the parties.



There shall be a new contract for each operation, made out in accordance with a special form.

§ 6.

The board of management of each bank must every January submit to the Central Credit Institute a statement of its accounts and its balance sheet, made out according to a form established by the Institute.

§ 7.

Whenever anyone ceases to be a member of the bank, either owing to his death, or through any other reason, the board of management shall immediately notify the Central Credit Institute. In the same way, any change in the members of the board of management must be communicated to the Institute without delay.

§ 8.

Whenever the general meeting of members decides to make any change in the rules, alters the maximum amount the bank can lend, borrow or introduces any innovation in the regulations in regard to the work of its board of management or its bookkeeper, such decisions must at once be communicated to the Board of Management of the Central Credit Institute.

§ 9.

The board of management of each bank is bound to place at the disposal of every inspector delegated by the Board of Management of the Central Credit Institute, at any moment, all its account books, as well as any schedules relating to them, and all its correspondence, as well as the reports of the meetings of the board of management. It must further give the inspector any further information he may require concerning the working of the bank.

§ 10.

The Board of Management of the Central Credit Institute has the right to delegate a representative to attend any meeting of a bank. He shall have no right, however, to vote at such meetings.

## URUGUAY.

### SOME INFORMATION RELATING TO AGRICULTURAL ASSOCIATION IN URUGUAY.

#### SOURCES :

STATISTICS AND ANNUAL REPORTS OF THE FOLLOWING ORGANIZATIONS :  
ASOCIACIÓN RURAL DEL URUGUAY (*Uruguay Rural Association*) ;  
SOCIEDAD EXPOSICIÓN-FERIA DE SARANDI DEL YI (*Exhibition Fair Society of Sarandí del Yi*) ;  
SOCIEDAD AGRICULTORES UNIDOS DE SAN JOSÉ (*San José United Farmers' Society*) ;  
ASOCIACIÓN RURAL DEL DEPARTAMENTO DE SAN JOSÉ (*Rural Association of the Department of San José*) ;  
SOCIEDAD FOMENTO DEL PASO DE LOS TOROS (*Agricultural Society of Paso de los Toros*) ;  
SOCIEDAD FOMENTO "AIGUA" ("*Aigua*" *Agricultural Society*) ;  
SOCIEDAD RURAL E HÍPICA (*Agricultural and Horse Improvement Society*) ;  
CLUB FOMENTO DE MINAS (*Minas Agricultural Club*) ;  
REVIEW OF THE ASOCIACIÓN RURAL DEL URUGUAY (*Review of Rural Association in Uruguay*)  
Years 1910, 1911, 1912, 1913 and 1914.

#### § I. INTRODUCTION.

In a young country like Uruguay, the agricultural economy of which is still in its initial stage, it is not surprising that agricultural association could not yet have attained the same degree of development as in the West of Europe, above all as regards the highest and most perfect forms which agricultural association has assumed.

It is enough to consider briefly the agricultural conditions of the country to-day to see what obstacles hinder the progress of association. Indeed the low density of the population, the prevalence of livestock improvement, which means large farms with few people on them, the insufficient means of communication etc. constitute a group of circumstances that cause the farmers to remain in an isolation which is not favourable to agricultural association. Yet, as we shall see, efforts have not been wanting in this

field of rural economy. We may even say that Uruguay was one of the South American countries in which association first made its appearance, it is natural considering that this country is essentially devoted to agriculture and livestock improvement. But the institutions founded, even the oldest and the most important, in most cases, as we shall see hereafter, appear under the form of general and elementary associations, or, in their organization, assume a multiplicity of forms still very remote from that specialisation which has been reached by agricultural institutions in our day.

## § 2. AGRICULTURAL ASSOCIATIONS AND THEIR ORGANIZATION.

There are no statistical returns as yet published in Uruguay of the agricultural associations working in the country. We shall therefore merely give the names of the principal. These are, according to information kindly supplied to us by the Department of Industries and the technical publications on the matter :

In the chief towns of Departments :

Uruguay Rural Association, Montevideo ;  
Salto Agricultural, Horse and Livestock Improvement Association  
Paysandú Rural Society and Agricultural Club ;  
Rio Negro Rural Association ;  
Soriano Rural and Industrial Association ;  
Colonia Rural and Industrial Association ;  
Rivera Agricultural Society ;  
Tacuarembó Livestock Improvers' Society ;  
Flores Agricultural Society ;  
San José Rural Association ;  
Minas Agricultural Club ;  
Maldonado Rural and Industrial Association ;  
Treinta y Tres Agricultural Society ;  
Rocha Rural Association ;  
Melo Rural Exhibition Fair Society ;  
San José United Farmers' Society.

In the essentially rural districts and smaller towns and villages :

Dolores Rural and Industrial Association ;  
Molles Labour League ;  
Arroyo Grande Rural Association ;  
Carmen Labour League ;  
Sarandí del Yí Rural Exhibition Fair Society.  
Lascana Rural Association ;  
Santa Rosa del Cuareim Society for the Encouragement of Agriculture and Livestock Improvement ;  
Paso de los Toros Agricultural Society ;  
"Aigua" Agricultural Society ;  
José Battle Agricultural and Horse Improvement Society.

Let us now consider the general organization of these societies.

1. *Objects and Aims of the Agricultural Associations.* — The rules of most all these associations make use of the following general formula, which shows the objects they propose to accomplish; "the encouragement of livestock improvement, agriculture and the industries connected therewith," an extremely vague phrase, to cover innumerable operations. Certain of these societies define their aims somewhat more clearly, as for example, the Paso de los Toros Agricultural Society, which includes in its programme, the organization of shows, support of all undertakings for the improvement of rural industries, protection of the interests of farmers etc.

To give an example of the multiplicity and diversity of the ends pursued by certain associations, we shall mention the San José Farmers' Society, the objects of which are stated in its rules to be: (1) Mutual assistance of members in all claims of general interest for agricultural industries and livestock improvement; (2) Co-operation in the destruction of all pests by which agriculture suffers and the encouragement of the adoption of the most improved methods for the advance of industries; (3) application to the public authorities for the installation of elementary schools in localities in which they are required and the foundation of an agricultural school in the department; (4) defence of members on occasion of any attempt against their personal liberty or their property; (5) a campaign against gambling and alcoholism among members; (6) assistance in securing medical attendance and medicines etc. for members and their families; (7) insurance of members against hail and accidents in work on payment of fixed premiums, (8) the foundation of co-operative dairies and the organization of a service of threshing machines either leased or purchased (1).

We have already said that the population of Uruguay is essentially occupied in agriculture and livestock improvement, so that it is natural that in this country association should first take an agricultural form. However, it must be observed that in many cases the unions are not exactly professional associations, which imply a higher stage of social activity, but elementary associations formed to enable the members more easily to satisfy their various social, intellectual and artistic requirements etc.; in a word, associations that are agricultural in so far as they are formed amongst farmers for the protection of their interests, and, at the same time, for the satisfaction of other requirements. Thus, we find for example, that the Minas Agricultural Club, has, in addition to the rural section occupied with the progress of agriculture and livestock improvement, two others, one artistic, literary and sporting, for entertainments, music, shooting, fencing and gymnastics, with a library, and the other, industrial and com-

(1) These last aims of a co-operative nature are not direct objects of the society, which has to restrict itself to encouraging with the means at its disposal the foundation of organizations for co-operative work. Besides, the rules themselves provide that nothing shall be done in these directions until the society has reached a certain stage of economic development.

mercial, for everything relating to industry generally, arts and trades, commerce etc.

To sum up, we may say that the rural associations of Uruguay propose at one and the same time to improve the professional and social position of their members and the district in which they work.

2. *Capital.* — In most of the rural associations of Uruguay, the capital consists in a definite number of shares, varying in value from 10 peses to 100 pesos each, according to the society.

In other cases the capital is formed by means of contributions from the members.

As we shall see, almost all of these organizations include among their means of action the holding of exhibitions, fairs, shows etc. from which they derive profits. A part of these are then utilised to form a reserve fund; some societies use the balance to increase their capital, others distribute it as a dividend among their shareholders, and in this sense they are commercial societies.

3. *Members.* — In the associations which have their capital in shares, all shareholders are members. But there are some of these associations, the *Rural Association of the Department of San José*, for example, in which after the issue of shares forming the share capital has been taken up, any new applicant for membership must be presented by two members and pay a fixed entrance fee. The case is the same in associations without share capital.

Generally speaking, it is not necessary to be a farmer in order to be a member of these associations; any person is admitted to membership on satisfying the above conditions. However, in the rules of some associations the members are divided into active and protecting members, according as they are farmers or not; in general, however, the two classes have the same rights and duties.

4. *Means of Action.* — These associations include among their means of action the organisation of shows, exhibitions, fairs, lectures etc.

At the shows and fairs each of them opens at least once a year, not only are the members' produce and other exhibits accepted, but also those of all agriculturists and livestock improvers of the locality.

The exhibitors, farmers or agents, pay the association an entrance fee in advance. At cattle shows or fairs, the association charges for the stand and for the forage consumed.

### § 3. THE URUGUAY RURAL ASSOCIATION AND ITS WORK.

After the above remarks on the general organization of agricultural associations in Uruguay, it will be well to consider at greater length one of the longest established of them, as an example. The *Uruguay Rural Association* is probably the most powerful in the country and is tending to become a bond of union for all the agricultural associations scattered over the whole area of the Oriental Republic.

This Association was formed in 1871. Its rules have been amended several times since its foundation; the last revision was made in 1907. According to the rules, the society proposes (1) to defend and promote the interests of agriculture and livestock improvement, as well as of the industries derived therefrom; (2) to develop the producing power and the social value of farm labourers and (3) to render agricultural effort uniform and harmonious. To attain these ends the Association has to exert its action in the following directions:

- (a) To work for the preparation of measures and the promulgation of laws favouring the national farm production;
- (b) the introduction of the reforms considered necessary in the commercial treaties affecting such produce;
- (c) the opening of new foreign markets and the definite assurance of those open to the produce of the country;
- (d) the encouragement of the introduction of new rural industries into Uruguay;
- (e) the stimulation of private enterprise and its support by the Government authorities in everything tending to increase the prosperity of the rural districts and the amelioration of rural life;
- (f) the encouragement of individual effort and the spirit of co-operation;
- (g) the continuous increase of the influence of the departmental agricultural associations on the economic interests of the departments, so that these associations may become social forces able to transform the rural conditions with advantage;
- (h) the harmonising of the efforts of all the rural associations of the country, rendering them intelligent and convergent;
- (i) the constant active propagation of ideas favourable to the improvement of livestock, crops, the system of reproduction and the perfect preparation of the produce;
- (j) the organization of congresses, fairs and exhibitions and their effective support as well as that of other gatherings of the same kind held in the departments;
- (k) the diffusion of scientific knowledge of the greatest utility for rural industries and the ideas best suited for promoting the union and organization of the agricultural class.

We see therefore that the field of action of this institution is extremely wide, although it remains within the domain of pure association.

The Association we are considering is managed by a committee of management elected by the members. The committee, in its turn, appoints sub-committees to deal with the various manifestations of the activity of the institution. Up to the present the following commissions have been working: legislation, agricultural science, veterinary surgery, viticulture, *saladerías* and rural industries.

The members may be honorary, foundation, active, delegated and correspondent. An active member must be presented by two members or by one of the Committee of management or pay an entrance fee of 10 pesos.

Foundation and active members pay a monthly contribution of 1.50 pesos.

The delegated members are persons appointed by the departmental agricultural associations to represent them in the Rural Association.

The Association has to keep herdbooks of the various breeds of cattle reared in the country, and it publishes a monthly review, the "*Revista de la Asociación rural de Uruguay*", one of the most important agricultural publications of the country, which it distributes gratis to its members.

It would be too long and difficult a business to enumerate all the efforts, all the undertakings and, generally, all the manifestations of the activity of the Uruguay Rural Association. It is the more difficult, when we consider that this activity is almost always concerned with that complex series of many little matters which, while externally not making a great figure, are of vital importance for the farmers, as in them the machinery of rural life consists; questions, namely, of export and import dues, ocean freight, railway transport, sanitary police, the improvement of methods of farming and breeding and selection of livestock etc. In regard to all these matters the farmers, whether alone or associated in departmental societies, have always found an active, intelligent and efficacious defender of their interests in the Association.

Independently of the activity displayed with regard to these matters, we must specially mention the action of this institution in regard to: (a) the drafting of the Rural Code, which was later adopted, with slight amendments, by the public authorities and is now in force, (b) the institution in 1901, of annual agricultural congresses attended by delegates of the agricultural classes of the whole country, the decisions of which, supported by the Association, have for the most part been sanctioned as laws; (c) annual exhibitions, shows and conferences with the object of improving the agriculture and cattle breeding of the country etc.

We shall close our remarks upon the Uruguay Rural Association by giving a few figures to show its financial position. According to the Report for the year 1912-1913, the expenditure of the Association during the period had been 7,407 pesos and the revenue 10,343 pesos, giving a profit of 2,936 pesos. The share capital at the end of the year amounted to 55,886 pesos.

We give below the balance sheet of the Association for May 31st., 191

*Credits.*

Office of the Society . . . . .	\$ 40,699.74
Insurance Paid in Advance . . . . .	57.86
Library . . . . .	2,627.78
Account Bernardo Fernandez (agent) . . . . .	112.50
" Antonio Valente (agent) . . . . .	154.50
" Bank of the Republic (current acct. gold) . . . . .	9,960.15
Furniture and Implements . . . . .	1,549.36
Herdbook . . . . .	1,232.44
Subscriptions Due . . . . .	2,620.61
Cash (balance in money) . . . . .	262.04
	<hr/>
	\$ 59,276.98

*Debits.*

Subvention to the Veterinary Laboratory. \$	500.00
Subvention Dr. Juan P. Castro . . . . .	1,129.90
Agricultural Show . . . . .	778.45
Motor Show . . . . .	0.90
Bank of the Republic . . . . .	231.46
Donation Charles A. Arocena . . . . .	235.50
National Exhibition of 1913 . . . . .	514.24
Capital . . . . .	55,886.53
	<hr/>
	\$ 59,276.98

§ 4. WORK OF THE URUGUAY RURAL ASSOCIATION IN BEHALF  
OF AGRICULTURAL ORGANIZATION.

The circular addressed to the rural classes in 1871 by the committee founders of the Uruguay Rural Association stated that its principal act was to form an agricultural centre for all those interested in the progress of the country so as to effect improvements impossible while the *existing situation of the farmers* continued. If we examine the provisions that have along guided the action of the Uruguay Rural Association, we shall find that it has always preferred to give its attention to the formation of a central centre for the promotion and the protection of the interests of the agricultural classes, showing the importance of agriculture as the chief factor in the national wealth.

In fact, in the rules of 1882 (amending those of 1871), amongst the matters to which the committee of management has to devote its attention, mention is made of the strengthening of the bonds between similar



corporations in the country; the rules of 1890 make similar provision as do also those of 1903 and, finally, in the rules of 1907, now in force, the list of the objects of the Association was increased by the paragraphs (i) and (h) reproduced above (1).

In regard to the application of these principles we see in practice that when as yet there were no rural societies in the departments, the Association formed in each of them an auxiliary committee from among its own members resident in the locality, to attract the rural classes by assisting them in their work; as these committees also occupied themselves with the interests of their respective regions, they were, in reality, the fruiting seed of the rural associations now existing in the departments. These commissions sent delegates to the ordinary meetings of the Association, taking thus a first step in the direction of the agricultural congresses established in 1901.

When a few rural societies had been formed by it, the Association pursued its work of union, drafting the regulations of June 2nd., 1902 by which it incorporated with itself all the committees and societies of agricultural character, which had amongst their members ten members of the Association or subscribers to its Review, these groups undertaking to correspond with the committee of management of the Association on all matters they considered as having an interest for the agriculture of their respective districts.

Finally, as we have said, on the initiative of the Association, annual rural congresses have been instituted. Delegates from all the agricultural unions of the country attend them in order to study and solve the manifold problems in which the agricultural class is interested, and at the same time encourage the union of these groups.

We see, then, that the Uruguay Rural Association has always had in view as its eventual object the organization of the rural classes as the greatest advantage for the agriculture of the country. It is easy to recognise, however, as Señor Taboada, a member of this Institution, has said, that it alone can do little to realise its desires (2).

In fact it is certain that each department has at least one rural association, but these associations are not as yet all united for common work and, what is still more important, the whole group of those farmers, who through apathy or indifference, remain strangers to the association movement, has not yet been incorporated with it. It is only by such incorporation the farmers will be able to defend their interests properly.

(1) See preceding paragraph.

(2) See TABOADA BAYOLA (Pélex): *Nuestra Asociación y la Organización del gremio rural* in the "*Revista de la Asociación Rural del Uruguay*", February, 1915.

## NOTICES OF SOME RECENT PUBLICATIONS RELATING TO CO-OPERATION AND ASSOCIATION.

### GERMANY.

REUSCH (H.): DAS SPAREN BEI DEN SPARKASSEN UND DEN KREDITGENOSSENSCHAFTEN.  
(*Savings Deposits in the Savings Banks and in the Mutual Credit Societies*). "Zeitschrift  
für Socialwissenschaft", Leipzig, 1914, Nos. 7 and 8, pp. 533-541.

In this short article the author endeavours to estimate the amount of savings deposits administered by the savings banks, comparing it with that deposited in the co-operative credit establishments, as these two classes of institute may be considered as almost the only ones that collect the savings of the large mass of the German people. He draws attention first of all to an essential difference, not always clearly marked in practice, between the two kinds of organisations. In the savings banks the savings business is an end in itself, because the object of these banks is precisely to collect savings. The amount thus accumulated is then invested with the sole object of obtaining interest for the depositors. We may say that the reverse is the case with the co-operative credit societies, the principal object of which is to grant loans and accept savings deposits for the sole purpose of lending. The result of this difference for the depositor is that, whilst the savings banks endeavour to invest at the highest possible interest, so as to be able also to give the highest possible interest on deposits, the co-operative credit establishments endeavour to keep the rate of interest on the deposits as low as possible, so as to be able to grant credit cheap.

We see, in the tables accompanying the article, that the total amount of the deposits in the savings banks and co-operative credit establishments in Germany is 21,300,000,000 marks, two thirds of which are deposited in Prussia. Of this amount, the co-operative credit establishments have collected only 3,500,000 marks, and the agricultural credit societies, only 2,000,000,000 marks. The classification of the deposits according to States and provinces, which enables us to form an idea of the saving possibilities of each part of the Empire is very interesting. The difference is especially great in regard to the amount of the savings collected by the credit societies and this is not due to the societies being more or less known, but also to the special conditions of the different regions. In the provinces of East and West Prussia and in Posen, as well as in Bavaria, the savings deposited in the

co-operative credit establishments almost equal in amount those deposited in the savings banks, whilst, on the contrary, for the whole Empire, the average proportion between the two classes of deposits is as 1 to 5. In the Kingdom of Saxony, the co-operative credit establishments have made little way. In fact, there the statistics show 13 marks deposits for each individual in the co-operative credit establishments as against 377 in the savings banks; further, 0.9 % of the inhabitants deposited in the co-operative credit establishments as against 68.5 % depositing in the savings banks. On an average, in all Germany, 34.7 % of the population deposited in savings banks, while 4 % are members of co-operative credit societies. However, as regards the number of the depositors in the co-operative and credit establishments, there being no statistics to hand, the author has estimated it at nearly twice the number of members, that is at a total of 5,000,000 persons.

#### GREAT BRITAIN AND IRELAND.

REPORTS OF THE CHIEF REGISTRAR OF FRIENDLY SOCIETIES FOR THE YEAR ENDING 31ST DECEMBER 1912. PART B. INDUSTRIAL AND PROVIDENT SOCIETIES. LONDON, 1914. Eyre and Spottiswoode. Fol. XVIII + 272 pages.

The difficulty of collecting returns from some thousands of societies accounts for the fact that when the official statistics of co-operative societies in Great Britain are published, they are already somewhat out of date. When they arrive, however, they are exceedingly full and detailed, and every effort is made, by careful classification, to make them as instructive as possible. The classification has been greatly improved of recent years, and the societies are now divided into six great groups, viz., Agricultural Societies, Distributive Societies, Productive Societies, Businesses, Land and Housing Societies and General Co-operative Development Societies. Each of these groups, except the last-named, is divided into several classes.

The Agricultural Societies are classified as follows: Agricultural Trading Societies, Bee-keepers' Societies, Dairy Societies, Egg and Poultry Societies, Farmers' and Growers' Associations, Pig and Cattle Suppliers, Smallholders' Clubs, Agricultural Wholesale Societies, Flax Societies, Horse and Cattle Breeding Societies, Threshing Societies, Agricultural Development Societies, Miscellaneous Agricultural Businesses, Credit Societies and Small Holdings and Allotments Societies. This does not however, exhaust the list of societies which might properly be included amongst agricultural co-operative societies for the bacon-curing factories (of which only two were at work, though six had been registered) are really farmers' societies, analogous to the co-operative dairy societies, and have little in common with the productive societies amongst which they are classed and which are societies either of consumers, or of workers. This distinction seems to have been recognised in the case of the Sherston Milling So-

ciety which, being a society of farmers, is classed as an agricultural trading society and not amongst the flour milling societies in the group of productive societies. The equally important distinction between productive societies composed of workers (or co-partnership societies) and productive societies composed of consumers has been found impracticable to draw, as the returns do not indicate the share (if any) held by the workers in the management of the various societies.

The number of societies which furnished returns was 3,562. They contained 3,144,033 members, and had a paid-up capital of £40,626,750, and a loan capital of £9,330,095, besides deposits to the amount of £8,044,942. The sales amounted to £209,707,533 and the net profit realised to £13,246,387.

The societies classed as agricultural societies numbered 1,086, contained 120,450 members and sold goods to the value of £5,080,729. To these should be added the six bacon-curing societies, with a membership of 5,229 and sales amounting to £103,607. It should also be noted that the credit societies which figure in the returns are very few in number, since the great majority of agricultural credit societies are registered under the Friendly Societies Acts and the statistics relating to them appear in another Report.

The most numerous class of society were the distributive trading societies, numbering 1,493, with a membership of 2,766,241 and sales amounting to £80,789,348. The two great Wholesale Societies sold goods to the value of £38,126,329; a third had been registered, but had not started business. The total value of the goods produced by all classes of societies was £26,350,750, of which £10,170,135 was produced by distributive societies; £9,842,335 by the wholesale societies; £3,861,588 by productive societies other than agricultural and £2,476,722 by agricultural societies.

#### ROUMANIA.

MALTEZIANU (CONSTANTIN): DIE NEUEREN AGRARREFORMEN UND DIE PACHTGENOSSENSCHAFTEN IN RUMÄNIEN. (*Recent Agricultural Reforms and Collective Leases in Roumania*). Schmollers Jahrbuch für Gesetzgebung, Verwaltung und Volkswirtschaft in Deutschen Reich, 38th. Year, 2nd. number, pp. 299-350. Munich and Leipzig, 1914.

The author after dealing in a short introduction with the unhappy conditions of Roumanian agriculture which led to the sanguinary revolt of the peasants in 1907, examines the measures taken since that date for the improvement of the conditions of agriculture.

These reforms, which we have already to some extent dealt with in preceding numbers of our Bulletin, are of various kinds. Some have in view the immediate improvement of the peasants' situation. These include the regulation of agricultural contracts (dealing with regulation of field

labour, minimum leases and wages, collective pasture land) and the foundation of rural banks to facilitate the purchase of land by the peasants they further include provisions against the lease *trust* and regulate the conditions of lease of land held in mortmain to collective farming associations and the sale of Government land to the peasants. The object of other laws is to render it easier for the peasants to have recourse to justice (by means of circuit courts) and to combat alcoholism (by the monopoly of the liquor sale). Other laws were passed in the expectation that the reclamation of the Danube plain for the benefit of the owners of the land would also improve the conditions of the peasants.

It is not our purpose to examine the article in detail here, especially as the subjects dealt with in it have been or will be dealt with in other essays in our Bulletin. We shall confine ourselves to saying that, as a result of the constitution of collective farms and of the foundation of rural banks, nearly 300,000 hectares have already passed into the hands of the peasants. The author is of opinion that within the next ten years, in consequence of these two movements and the sale of the Government land, about 1,000,000 hectares may be acquired by the peasants. In this way, 65% of the cultivable area of Roumania will consist of land cultivated by peasant proprietors and this, without doubt, will have an excellent effect on the development of the country. The rapid increase in people's banks and collective leases since the revolution witnesses to a most desirable improvement on the state of things previously existing.

However, there are still very important questions to be settled. Provision may first of all be made by law for the instruction of the peasants both as regards their general education and also in agricultural matters. It is necessary, further, to attempt to instil more deeply into the peasants the sense of justice and equality, so that they may feel themselves the equals of their fellow citizens and obtain their rights from the law courts and from the administrative authorities. On the other hand, it is the duty of the large land owners and tenant farmers to contribute to the suppression of social conflicts in the country, by a more equitable treatment of the peasants and by joining with them in the work of the various classes of agricultural co-operative societies.

## Part II: Insurance and Thrift

### ITALY.

#### PROGRESS OF THE INSURANCE SOCIETIES IN ITALY.

##### SOURCES :

- E SOCIETÀ DI ASSICURAZIONE SULLA VITA NEL SESSENNO 1904-1909. "Annali del Credito e della Previdenza". (*Life Insurance Societies in the Six Years, 1904-1909. — Annals of Credit and Thrift*). Year 1911, Vol. 88. Ministero di Agricoltura, Industria e Commercio. Direzione Generale del Credito e della Previdenza.
- E OPERAZIONI DEGLI ISTITUTI DI ASSICURAZIONE IN ITALIA NEL 1912. "Annali del Credito e della Previdenza" (*Transactions of the Insurance Institutes in Italy in 1912. — Annals of Credit and Thrift*), 2nd. Series, Vol. 8. Ministero di Agricoltura, Industria e Commercio. Direzione Generale del Credito e della Previdenza. Rome, Tip. L. Cecchini, 1914.
- ISTITUTI DI ASSICURAZIONE ESISTENTI IN ITALIA AL 1° GENNAIO 1913. Fascicolo I: Istituti pubblici. Fascicolo II: Istituti privati (*Insurance Institutes existing in Italy on January 1st., 1913. No. I. Public Institutes. No. II. Private Institutes*). Ministero di Agricoltura, Industria e Commercio. Direzione Generale del Credito e della Previdenza. Rome, Tip. G. Bertero, 1913.
- QUOTIDIANO DI NOTIZIE SUL CREDITO E SULLA PREVIDENZA. (*Bulletin of Information on Credit and Thrift*). Ministero di Agricoltura, Industria e Commercio. Direzione Generale del Credito e della Previdenza.
- QUOTIDIANO UFFICIALE DELLE SOCIETÀ PER AZIONI. (*Official Bulletin of the Societies Limited by Shares*). Ministero di Agricoltura, Industria e Commercio. Direzione Generale del Credito e della Previdenza.

The degree of development reached by the insurance societies of a country may be considered not only as an indication of the more or less complex and perfect state of its economic business, but also as indicative of the national wealth. We, therefore, think it well to consider the development assumed by the insurance societies in Italy as revealed by official statistics. To give a complete idea of it, with special regard to agricultural

insurance, we shall consider all the forms of thrift practised in Italy, summarising the statistics of the business done in 1912 by the insurance societies legally working in the Kingdom in accordance with the Commercial Code.

### § I. GENERAL INFORMATION AND STATISTICS.

In 1912 there were 188 insurance societies (1) working in Italy, 107 national and 81 foreign, as follows :

#### (a) National Societies:

Societies Limited by Shares . . . . .	43
Co-operative Societies . . . . .	34
Mutual Societies . . . . .	30

#### (b) Foreign Societies:

French . . . . .	24
German . . . . .	22
Austrian and Hungarian . . . . .	11
British . . . . .	11
Swiss . . . . .	7
North American . . . . .	3
Dutch . . . . .	2
Spanish . . . . .	1

The 107 national societies transacted business in 17 branches of insurance, that is to say: 32 devoted themselves to life, 22 to hail, 19 to fire, 16 to transport insurance, 12 to voluntary and 9 to compulsory accident insurance, 8 to livestock insurance, 6 to insurance against theft, 6 to window and 5 to marine insurance, 5 were reinsurance societies, 3 were emigrant, 2 liability, 2 sickness insurance societies, 2 insured against strikes, 2 insured plants, and 1 motor cars.

A large number of different kinds of insurance was undertaken at the same time by the limited liability societies; the mutual and co-operative societies, on the other hand, with rare exceptions, undertook only one branch each.

(1) Not considering the societies only working in the Commune in which they have the headquarters, of which there were 287 in 1912. See in this connection the second number *Isti us privati*, of the Publication given among the sources of this article: "Istituti di Assicurazioni esistenti in Italia al 1° gennaio. 1913."

The foreign societies undertook 14 branches of insurance. In their case also, the majority (27) were life insurance societies; the other branches undertaken were as follows: transport (25 societies), fire (17), voluntary accident insurance (15), theft (8), compulsory accident insurance (3), liability (3), marine (3), window (3), hail (2), sickness (1), motor car (1), guarantee (1) and insurance against damage from water (1).

Altogether the 188 societies working in Italy in 1912 undertook 19 branches of insurance as follows: life (59), transport (41), fire (36), voluntary accident (27), hail (24), theft (14), compulsory accident (12), window (9), livestock (8), marine (8), liability insurance (5), reinsurance (5), sickness insurance (3), emigrant (3), strike (2), motor car (2), plants (2), guarantee (1) and insurance against damage from water (1).

From the above figures we see first of all the international character of insurance in Italy, as almost all branches are undertaken both by national and foreign societies.

The above national societies had, altogether, a subscribed capital of 147,131,765 frs. (the societies limited by shares having 137,067,400 frs. and the co-operative societies 10,064,365 frs.), and a paid up capital of 56,770,202 frs. (53,675,716 in the societies limited by shares and 3,094,441 in the co-operative societies). The subscribed capital of the foreign societies, on the other hand, amounted to 581,126,000 frs. and the paid up capital to 222,833,244 frs.

For the right understanding of these figures we must, however, observe: 1st., that, in view of the small importance of a capital for these undertakings, by art. 131 of the Commercial Code, insurance societies may be founded in Italy with only a tenth of the subscribed capital paid up, instead of three tenths, as is required in the case of commercial societies; 2nd., that the capital indicated above in the case of foreign societies is that of their whole business carried on in various countries.

So much said, let us now consider the most important branches of insurance.

## § 2. LIFE INSURANCE.

In 1912 there were 59 life insurance societies in Italy, 32 national and 27 foreign. Of the former, 16 were limited liability, 11 co-operative and 5 mutual societies. Of the latter, 7 were Austrian or Hungarian, 6 French, 4 German, 3 North American, 1 Dutch, 1 Spanish and 1 Swiss.

There was a decrease of 2 societies, on the number of those working in 1909, the last year for which official information had been published.

It must, however, be remembered that in 1912 many societies began to transfer their Italian policies to the *Istituto Nazionale delle Assicurazioni* (National Insurance Institute) founded by law no. 305 (1) of April 4th., 1912,

(1) See in this connection our Bulletin for May, 1912.



and that other societies ceased to issue new policies in view of the law, which came into force on January 1st., 1913, and certain particulars could not be obtained by the Department, as several societies were in liquidation.

However, the increase in the amount of premiums collected was not arrested, and between 1909 and 1912, it was 12.38 % for the national and 12.19 % for the foreign societies. It is important to observe that while in 1912 the national societies collected 29,151,019 frs. in premiums the foreign societies collected 40,788,153 frs.

The premiums and accessory amounts collected in this year came to 29,484,497 frs. in the national societies and 41,534,311 frs. in the foreign societies and thus, altogether, to 71,018,808 frs.

Altogether the amounts paid out in sums assured and pensions due and on surrender of policy, together with those still to be paid for claims not yet dealt with at the end of the year came to 49,951,493 frs. (19,495,770 frs. in the national and 30,455,723 frs. in the foreign societies).

Deducting from this total the amount for claims remaining to be dealt with at the beginning of 1912, namely 4,978,681 frs., the amount for claims, insurances matured and surrenders in 1912 was 44,972,812 frs. (in the national societies 18,002,596 frs. and in the foreign societies 26,970,216 frs.). In comparison with the premiums and accessory amounts for the year, the percentage of claims, insurances matured and surrenders was 61.05 for the national and 64.93 for the foreign societies.

The larger number of policies (26,006 out of 40,522) was issued by the national societies, which in fact issued 64.17 % of the new policies, but only assured 38.84 % of the total capital assured (98,227,219 frs. out of 252,898,544 frs.); of the pensions, however, the national societies assure 83.15 % (512,075 frs., out of a total of 615,820 frs.).

### § 3. ACCIDENT INSURANCE.

There are two kinds of insurance of labourers against accidents in the work in Italy, compulsory and voluntary. The first, regulated by the law no. 51 of January 31st., 1904 (final text), was in 1912 undertaken by 12 societies (1, 9 being national and 3 foreign. Of the 9 national 7 were limited liability and 2 mutual societies.

The total of the premiums and accessory amounts for 1912 was 13,114,088 frs. in the national, and 893,340 frs. in the foreign societies.

In connection with the amount of capital assured we must observe that some societies furnish no information on the subject, others confine their

(1) In 1912 this insurance was also undertaken by the *Cassa nazionale di assicurazione degli infortuni degli operai sul lavoro* (National Society for the Insurance of Workmen against Accidents in their Work), by 2 compulsory and 25 voluntary syndicates, by 21 private societies and 14 private consortium societies, authorized in accordance with the above.

selves to showing the amount of wages of the insured workmen and others, finally, take the wages as the basis on which to calculate the amounts assured in case of death (5 years' wages), permanent disablement (6 years' wages) and temporary disablement (a percentage which varies).

The claims for 1912 amounted to 10,913,573 frs. for the national societies and 833,462 frs. for the foreign societies and thus altogether to 11,750,030 frs.

The proportion of the claims to the premiums was therefore 83.24 % for the national and 93.30 % for the foreign societies; the percentage for both was 83.88 %.

Voluntary accident insurance in this year was undertaken by as many as 27 societies, 12 of them national (8 limited liability and 4 co-operative) and 15 foreign.

The former collected 17,443,587 frs. in premiums for the year, the latter, 1,988,171 frs.

As we see, the national societies collected 90.06 % of the premiums, and the foreign societies only 9.94 %.

The claims in 1912 amounted to 11,309,140 frs., 10,091,78 frs. (88.76 %) in the national and 1,277,342 frs. (11.24 %) in the foreign societies.

The claims for the year were in the case of the national societies 5 % and in that of the foreign societies 64.25 % of the premiums.

The figures given above show that most business is done by the national societies, whether in the field of voluntary or of compulsory insurance.

#### § 4. HAIL INSURANCE.

In 1912 there were 24 hail insurance societies working in Italy, 22 national and 2 foreign; of the former 6 were limited liability societies, 6 mutual and 10 co-operative.

The total premiums and accessory amounts, collected by the national societies came to 24,166,958 frs. (88.80 %) and those collected by the foreign societies to 3,048,938 frs. (11.20 %); thus, altogether, to 27,215,896 frs.

The amounts assured by the former group came to 509,080,029 frs. and those assured by the second group to 62,147,098 frs.

We find then that the average premium in the national societies is 4.75 % of the amount assured, and in the foreign societies 4.91 %.

In 1912 the claims amounted to 13,149,584 frs., 11,706,713 frs. in the national and 1,442,871 frs. in the foreign societies. The proportion of the claims to the premiums was 51.84 % in the national and 47 % in the foreign societies; for all the societies together it was 51.34 %.

The working year 1912 was, however, one of the most favourable for the hail societies; indeed, the claims and valuation expenses, which, as we have seen, amounted to 51.34 % of the premiums and accessory amounts in 1912, on the contrary, in 1911 and 1910 had amounted to 97.42 % and 99.24 % of the corresponding amounts for those years respectively.

It is also interesting to consider the proportion of the working expenses to the premiums and accessory amounts. It was 6.19 % in the national societies and 11.04 % in the foreign societies. The proportion taking all the societies together, was 6.74 %.

However, if the working expenses of the foreign societies were twice as high as those of the national, the percentage for commissions was in the latter twice as high (12 %) as in the former (5.22 %).

The difference is perhaps due to a different method of calculating the working expenses and commissions in the two groups of societies.

To obtain a still more exact idea of the progress made by this branch of insurance in Italy it will be well to consider the figures of the last official statistical report, that for the year 1903. In fact, the amounts assured and the premiums collected in 1903 (1) and 1912 were as follows :

TABLE I. — *Amount Assured by the Hail Insurance Societies.*

Amount Assured	1903	1912	Increase	
			Total	Per cent
	frs.	frs.		
National Societies . . . . .	266,482,401	509,080,029	242,597,628	91.04
Foreign Societies . . . . .	42,997,970	62,147,098	19,149,128	44.50
Total . . . . .	309,480,371	571,227,127	261,746,756	84.58

TABLE II. — *Premiums Collected by the Hail Insurance Societies.*

Premiums Collected	1903	1912	Increase	
			Total	Per cent
	frs.	frs.		
National Societies . . . . .	10,819,720	23,344,351	12,524,631	115.79
Foreign Societies . . . . .	1,873,511	2,936,575	1,063,064	56.74
Total . . . . .	12,693,231	26,280,926	13,587,695	107.05

From the above figures taken as a whole we see that the business done by the national societies was more important than that done by the foreign

(1) See *Bollettino di Notizie sul Credito e sulla Previdenza*. Ministero dell'Agricoltura Industria e Commercio. Rome, Years 1903, 1904, 1905 and 1906.

Finally, the business done by the hail insurance societies in the last working year, 1913, again indicated increased thrift on the part of the farmers; as appears from the following total figures: amount assured: 85,000,000 frs.; premiums 28,116,977 frs.; claims 27,361,202 frs.; working expenses 4,823,975 frs.; taxes 469,635 frs.

These figures are, however, not quite accurate, since the Official Bulletin of the Department of Agriculture, Industry and Commerce, from which our information is derived, has not yet published the balance sheets of some societies for 1913. In that year the amount paid up in claims was considerable. Indeed, 27,000,000 frs. were paid in claims as against 28,000,000 collected as premiums. Adding to this almost 5,000,000 frs. for working expenses and almost 500,000 frs. for taxes, we find the societies and reinsurance institutes suffered a loss of about 5,000,000 frs.

#### § 5. FIRE INSURANCE.

In 1912 there were 36 fire insurance societies working in Italy (1, national and 17 foreign. Of the former, 8 were limited liability, 7 were co-operative and 4 mutual societies.

The total of the premiums and accessory amounts for the year came in the case of the national societies to 28,032,984 frs. (in 1903, 15,815,011 frs.) and in that of the foreign societies to 30,763,591 frs. (in 1903, 17,980,099 frs.) and so, altogether, to 58,796,575 frs.

The amount assured by the national societies in 1912 amounted to 6,558,733,264 frs. (13,697,290,690 frs. in 1903) and that assured by the foreign societies to 21,430,394,578 frs. (in 1903, 14,498,669,696 frs.).

The claims amounted to 28,997,401 frs.: 14,770,217 frs. in the national and 14,227,184 frs. in the foreign societies.

The percentage of claims to premiums and accessory amounts, in the year considered was 52.69 in the case of national and 46.25 in that of foreign societies.

The working expenses in the national societies were 6.85 % of the above total of premiums and accessory amounts and in the foreign societies 7.7 %. The percentage of working expenses was therefore higher in the foreign societies. The same may be said of the percentage of commissions on agents on the premiums and accessory amounts, which was 16.35 in the national and 18.09 in the foreign societies.

From all these figures taken together we find that this branch of insurance is making appreciable progress, especially in the national soci-

(1) No account is here taken of local fire insurance societies. Of such societies, with sphere of action limited to a single commune in 1912, there were 179 (114 mutual and 65 co-operative) authorised for work in accordance with the General provisions of the Commercial Code and 32 authorised in accordance with law no. 526 of July 7th, 1907.

eties, which have almost equalled the foreign in respect to the amount of their premiums.

#### § 6. TRANSPORT INSURANCE.

In 1912 there were 41 societies, 16 national (of which 15 were limited liability societies and 1 a co-operative society) and 25 foreign, undertaking transport risks in Italy. If the foreign societies are more numerous, the national do a larger business. They, in fact, collected premiums in 1912 to the amount of 8,136,396 frs. and the foreign societies only collected 5,015,098 frs.

Besides this, the national societies assured 1,589,267,604 frs., and the foreign societies, 1,526,673,288 frs. The former paid claims to the amount of 6,384,263 frs., and the latter to the amount of 4,259,762 frs. The proportion of claims to premiums is, therefore, 78.47 % in the case of the national and 84.94 % in that of the foreign societies.

The proportion of the working expenses and commissions to the premiums and accessory amounts for 1912 was less in the case of the national than in that of the foreign societies.

In this branch of insurance the foreign societies have made considerable progress and they are now formidable rivals of the national societies; in fact the official statistical tables show that while in 1903 only a third part of the capital assured was assured by the foreign societies, in 1912 almost half was assured by them, so that the business of the national societies was considerably reduced.

If this goes on, it is probable that the foreign societies may end by gaining the first place, hitherto held by the national societies.

#### § 7. INSURANCE OF OTHER RISKS.

The branches of Insurance above considered are those that have acquired the most considerable importance. But we must also give a cursory glance at the work of other branches, some of which have been long undertaken (livestock, marine etc.), while others are of later or recent introduction (insurance against losses through strikes, water, criminal injury to plants, etc.).

In regard to agricultural livestock and fire insurance etc., we may note a tendency to a rapid multiplication of institutes of co-operative or mutual form, working only in the commune in which they have their headquarters, for the most part not legally constituted, in regard to which the official statistical reports supply no information. They undoubtedly render great services to agriculture.

In regard to the other branches of insurance to which we have referred, the latest information we have is as follows:

(a) *Liability*. — The risks were undertaken in 1912 by 5 societies, two of them Italian, one being a limited liability society and the other a mutual society. They collected premiums for the total amount of 329,150 frs. and paid claims to the amount of 150,294 frs.

The little progress made by this branch is perhaps to be explained by the fact that the risks are most frequently undertaken also by the accident insurance societies.

(b) *Sickness*. — Sickness insurance societies have even made less progress, perhaps because their work is better done by mutual aid societies, working among special classes of persons who run the same risk of sickness on account of the professions they follow. In 1912, only three societies, in fact, undertook sickness risks. Of these two were national (one a limited liability society, the other a mutual society). The three societies collected 82,577 frs. in premiums and paid 33,820 frs. in claims.

(c) *Livestock*. — Small also is the number of large societies insuring against sickness and death of livestock, as these risks in Italy, as in almost all countries, are more frequently undertaken by small local mutual societies (1). In 1912, in fact, only 8 national societies (2 limited liability, 5 mutual and 1 co-operative) undertook these risks in the Kingdom, for the most part confining themselves to special classes of livestock. They collected 327,356 frs. in premiums and 6,508 frs. in accessory amounts; the proportion of this total amount of 333,864 frs. to that of the 25,288,784 frs. assured, being 1.32 %.

The claims paid amounted to 279,047 frs. and thus, while they are 1.10 % of the assured capital, they are 83.58 % of the premiums.

(d) *Losses through water and criminal injury to plants*. — In 1912 only one French society undertook water risks, collecting 1,885 frs. in premiums and accessory amounts, while it had only claims of the amount of 126 frs. to pay, that is 6 % of the amounts collected. The amount assured was 170,500 frs., so that the premiums were 1.10 % and the claims 0.07 % of the amount assured.

Insurance against losses through criminal injury to plants is a form of insurance that thrives in those rural regions where revenge frequently takes the form of injury to fruit trees. Two national co-operative (2) societies undertook these risks in 1912. The premiums and accessory amounts collected by them came to 7,440 frs., as against 43,348,000 frs. of capital assured, so that the average premium was 0.02 %. The claims amounted to 1,600 frs.

(e) *Losses through Strikes*. — The very new branch of insurance of landowners and employers against strikes was undertaken by two

(1) In 1912 the local livestock insurance societies authorized in accordance with the general provisions of the Commercial Code were 23, of which 1 were mutual and 19 co-operative. Those authorized in accordance with law 526 of July 7th, 1907, were 31.

(2) Two other small co-operative societies exist, each confining its action to the commune in which it has its headquarters.

national mutual societies, one insuring against agricultural and the other against industrial strikes.

The total amount assured was 23,099,150 frs., and the premiums and accessory amounts collected being 227,232 frs., the average premium was 0.98 % of the capital assured.

The claims for the year amounted to 238,713 frs., or 1.03 % of the amount assured and 105.05 % of the premiums and accessory amounts collected.

Leaving out of consideration the other branches of insurance less closely related to agriculture, we shall, finally, consider the insurance business transacted in Italy as a whole.

#### § 8. THE TOTAL BUSINESS OF THE INSURANCE SOCIETIES IN ITALY IN THE TEN YEARS 1903-1912.

In terminating our report, in order to show the importance of the insurance societies for the national economy and the progress made by them in Italy in ten years, we shall point out that the total of the premiums and accessory amounts collected in 1912, in the branch of *life insurance*, was 71,018,808 frs. (29,484,497 frs. collected by national and 41,534,311 frs. by foreign societies), as against 42,696,261 frs. in 1903; and in the case of *property insurance* it was 142,686,556 frs. (in the national societies, 98,861,110 frs. and in the foreign societies, 43,825,446 frs.), as against 70,094,250 frs. in 1903.

In the ten years, therefore, the premiums collected in the various branches of insurance almost doubled themselves, with an increase of more than 100,000,000 frs.; more than two thirds of which was realised in the national societies.

In addition, the total amount assured in 1912 by the life societies was 1,796,406,747 frs. (for pensions 7,263,346 frs.), of which 734,937,993 frs. (5,864,008 frs. pensions) was assured by the national and 1,061,468,754 frs. (1,399,338 frs. pensions) by the foreign societies. In 1903, on the other hand, the total amount assured by the life societies was 1,069,236,318 frs. (4,517,453 frs. pensions), 397,046,426 frs. (3,689,441 frs. pensions) by the national and 672,189,892 frs. (828,012 frs. pensions) by the foreign societies.

In the societies insuring property, the total amounts assured increased from 35,074,471,070 frs. (national societies, 19,276,599,232 frs.; foreign societies, 15,797,880,838 frs.) in 1903, to 52,342,092,172 frs. (national societies, 28,171,443,195 frs.; foreign societies, 24,170,648,977 frs.) in 1912.

There was thus in the ten years a considerable increase in the amount assured.

Finally, the amounts paid in claims and on maturity in 1912 came altogether to 117,000,000 frs., 81,000,000 frs. in the societies insuring property and 36,000,000 frs. in the life societies. Of these 117,000,000 frs. 73,000,000 frs. were paid by national and 44,000,000 frs. by foreign societies.

## NOTICES OF SOME RECENT PUBLICATIONS RELATING TO INSURANCE AND THRIFT.

### GERMANY.

HAGEN (OTTO, KAMMERGERICHTSRAT): DIE NEUEN HAGELVERSICHERUNGS BEDINGUNGEN (*New Hail Insurance Conditions*). "Zeitschrift für die gesamte Versicherungswissenschaft". Berlin. Vol. XIV. No. 1. pp. 81-96 and number 2, pp. 204-214.

The law of May 30th., 1908 on insurance contract, which came into force on January 1st., 1910, only establishes, when all is said, the general basis of German law in regard to private insurance, leaving the insurance institutes power to regulate the details of their conditions, which have had to be considerably amended in order to be brought into conformity with this law. These insurance conditions, thus, acquire quite special importance in the field of law: although in themselves they are only agreements of purely private character, they have been transformed into an effective and very important source of law.

In the field of hail insurance, uniform insurance conditions were authorized on April 14th., 1909 for institutions for this insurance belonging to the Federation of German Hail Insurance Societies limited by Shares (*Verband der deutschen Hagelversicherungs-Aktiengesellschaften*). In the same way, a large number of mutual hail insurance societies have established general insurance conditions. The two groups, of societies limited by shares and mutual societies, before presenting their insurance conditions for authorization, came to an agreement in regard to the most important points.

The new hail insurance conditions are grouped together and examined systematically in the above article and compared with the other legal provisions regulating the insurance contract.

JOSEF (DR. JUR. EUGÈNE): BESTITUTIONSWECHSEL BEI DER HAGELVERSICHERUNG UND DIE VERSICHERUNGSPFLICHT DES PÄCHTERS (*Change of Possession in regard to Hail Insurance and the Obligation of Tenant Farmers to Insure*). "Zeitschrift für die gesamte Versicherungswissenschaft". Berlin, Vol. XIV. No. V. pp. 687-694. 1914.

Paragraph 114 of the law on insurance contract lays it down that the insuring institute, in case of the sale of produce insured against hail, can



only denounce contract for the end of the period fixed for the insurance, whilst the purchaser may immediately denounce contract. The author of the study before us considers in detail the cases in which this denunciation may take effect and comes to the conclusion that, practically, it can only do so when the produce is sold as inseparable from the land. In addition, the author, enquires if the lessor, insured against hail, may, in the same way as when insured against fire, claim compensation if the lessee has engaged with him to insure himself. He decides that such an engagement does not imply any intention of constituting a right of the lessor and consequently only the lessee has a claim, that is to say only the person to whom the produce belongs.

KIRCHMANN (Dr. jur. KARL): TILGUNG-VERSICHERUNG. (*Insurance for the Extinction of Debts on Land*). "Zeitschrift für die Versicherungswissenschaft", Berlin. July 1st., 1914. pp. 492-554.

It has been possible to free landed property from debt, by means of regular gradual repayment, in instalments, in accordance with a fixed plan. But, to ensure repayment, even in case of the premature death of the debtor, it is well to combine life insurance with this method of repayment in instalments. The combination may be made in different ways. For example, since the institution in late years of life insurance in the Prussian *Landschaften* and other land credit institutions of public utility in Germany (Bulletin of Economic and Social Intelligence, December 1913, pp. 77 et seqq.), the instalments for repayment of the debt may be utilised for payment of the insurance premiums. The debt, thus converted into one not to be extinguished in instalments, is repaid by means of the amount insured on the life. In this case, the contract is made for a definite amount assured to be paid at death.

The regular repayment in instalments may also be allowed to continue and at the same time an insurance may be arranged to cover the amount still due at the death of the policy holder. The author calls this form of insurance "Insurance for Extinction of Debt" (*Tilgungsversicherung*), in contradistinction to the other type of insurance previously mentioned, which he calls "Mortgage Life Insurance", (*Hypothekarlebensversicherung*). He thoroughly studies all the machinery from the point of view of the technique of insurance and exposes its economic advantages and defects.

As this is a problem which is of very great importance for many countries, we think it well to draw the attention of all our readers to the above article.

## GREAT BRITAIN AND IRELAND.

CO-OPERATIVE COW INSURANCE SOCIETIES IN ENGLAND AND WALES. "Journal of the Board of Agriculture". London, No. 10, January 1915, pages 945 to 948.

In this short article are condensed the results of a general inquiry, undertaken at the instance of the Board of Agriculture, into the co-operative insurance of cows in England and Wales. It appears that there are at least 157 societies for this purpose, and a few leading statistics have been obtained for 116 of them. These contained 4,387 members and insured 10,955 cows and calves. The great majority of the members are obviously small farmers, insuring only one, two or three animals apiece. The total assets amounted to £ 11,512, or more than £ 1 per animal insured, and as the amount of compensation paid on animals that died averaged less than 5s. per animal insured per annum, the majority of the societies are evidently in a sound financial position.

For the small number of the societies which are registered and are, therefore, obliged to furnish annual returns, full statistics are given for the years 1911, 1912 and 1913. For the unregistered societies it was necessary to collect the statistics specially and they are inevitably much less complete, although for 1913 statistics were obtained from 89 unregistered societies. Comparing the two classes of society there seems reason to believe that the registered societies are, on the whole, better and more economically managed than the unregistered ones.

We hope in an early issue of the *Bulletin* to publish an article on the co-operative insurance of cattle in England and Wales, availing ourselves of the information contained in the article under notice and of the numerous detailed studies of particular societies previously published in the "Journal of the Board of Agriculture."



## Part III: Credit

### GREAT BRITAIN AND IRELAND.

#### THE SOURCES OF RURAL CREDIT IN IRELAND.

##### SOURCES (OFFICIAL):

REPORT OF THE DEPARTMENTAL COMMITTEE ON AGRICULTURAL CREDIT IN IRELAND. Department of Agriculture and Technical Instruction for Ireland. Dublin, 1914. A. Thom and Co., Ltd.

MINUTES OF EVIDENCE, APPENDICES AND INDEX: DEPARTMENTAL COMMITTEE ON AGRICULTURAL CREDIT IN IRELAND. Department of Agriculture and Technical Instruction. Dublin, 1914. A. Thom and Co., Ltd.

In January 1912, the Vice-President of the Department of Agriculture and Technical Instruction for Ireland appointed a Committee "to inquire into the existing system of credit for the rural classes in Ireland; to suggest what, if any, improvements, not involving financial assistance from the Exchequer, should be made in the system; and to consider especially the form of agricultural credit most suitable to the requirements of the occupiers of land affected by the Land Acts in the Western districts and throughout the country generally."

As pointed out by the Committee, the fact that in Ireland, through the operation of the various Land Purchase Acts, an elaborate and highly successful machinery for the transfer of the land to tenant-purchasers has been for some time in existence, under the control of the Irish Land Commission and the Estates Commissioners (1), rendered

(1) See the articles on the work of the Land Commission and the Estates Commissioners in the *Bulletin* of October 1911, June 1913 and January 1914.

it unnecessary to include in the Terms of Reference that branch of rural credit which deals with State advances to farmers for the acquisition of their holdings. This consideration, the Committee point out, strikingly differentiates the case of Ireland from that of countries where the difficult and fundamental question of funds for land purchase necessarily occupies a prominent place. With this important exception the Committee made a careful and exhaustive study of the various sources from which the rural classes obtain credit, and their Report contains abundant information, much of which could with difficulty be obtained elsewhere.

The Report, we note, has received high praise in official and other publications of various countries; it undoubtedly represents the result of one of the most thorough investigations yet made into the financial position and resources of the farming classes of any country.

We shall give *seriatim* a brief resumé of the results of the Committee's inquiry regarding the various sources of credit, together with their conclusions and recommendations.

#### § 1. JOINT STOCK BANKS.

First amongst the sources considered by the Committee are the Joint Stock Banks, which have attained to a remarkable development in Ireland, as in England and Scotland.

The first Irish joint stock bank, the Bank of Ireland, was founded in 1783, by an Act of the Irish Parliament which prohibited any other company of more than six persons from issuing notes payable on demand or within any period less than six months. In 1821, however, the formation of other banking companies was authorised outside a radius of fifty Irish miles from Dublin and this restriction was finally removed in 1845.

The number of banking companies formed has not been large, but the numerous branches and sub-branches of the existing nine joint stock banks form an extensive banking system, which appears to be still in process of rapid development. In 1850 the number of offices open was 174. During the next ten years the number increased slowly, only reaching 180 in 1860. The following decade the increase became rapid and sub-branches and agencies began to be opened. In 1870 there were 285 branches and 19 sub-branches and agencies. The total number of branches, sub-branches and agencies increased to 479 in 1880; 569 in 1890; 661 in 1900 and 809 in 1910. It had further increased, according to the latest available figures, to 853 in April 1913.

A map attached to the Report shows how wonderfully the branches of joint stock banks are distributed throughout Ireland, but the Committee notes that there are, nevertheless, many considerable tracts of country, some of them fairly well populated, where no branch yet exists. It is not at all unusual for farmers to have to make a journey of ten to fifteen

miles to the nearest bank. Moreover, 38 per cent of the branches are open only on market or fair days.

The number of inhabitants per banking office in Ireland was 5,220 and the number of square miles per office 38.5, but as very frequently there are several offices in the same town these figures do not afford any precise indication of the distribution of banking facilities.

A remarkable fact in connection with the joint stock banks is the rapid increase in recent years of the total deposits and cash balances. The following table shows the increase since 1840:

TABLE I. — *Deposits and Cash Balances in Irish Banks.*

Year	Amount of Deposits and Cash Balances on 31st December.
	£
1840 . . . . .	5,568,000
1850 . . . . .	8,269,000
1860 . . . . .	15,609,000
1870 . . . . .	24,366,000
1880 . . . . .	29,746,000
1890 . . . . .	33,325,000
1900 . . . . .	43,280,000
1910 . . . . .	54,936,000
1912 . . . . .	57,651,000
1913 . . . . .	62,142,000

The Committee is cautious in its interpretation of these figures. In the absence of any complete figures relating to indebtedness, they do not furnish any measure of the growth of net savings, but taken in conjunction with the steady increase in the Post-Office Savings Bank deposits (which we shall have occasion to note presently), they are, in the opinion of the Committee, an indication of the growing economic prosperity of the country.

A considerable proportion of the money deposited in joint stock banks is used by borrowers for productive purposes, either in industry, commerce, or agriculture, but the Committee was unable to ascertain what proportion of this capital is utilised outside Ireland by the Irish banks. The sums on deposit in the Post Office Savings Bank are all transferred to England for investment in Government securities, and would furnish ample funds for supplying the credit required in rural districts if they could be diverted to this object.

In spite of their extensive distribution and their willingness, as far as the nature of their business will permit, to adapt themselves to the requirements of the farmers, the joint stock banks do not seem to be able to satisfy the needs of the small farmer, nor, indeed, of the agricultural industry generally.

Loans for three or four months are readily granted at reasonable rates of interest, provided the borrower can find satisfactory sureties, and, in approved cases, the loans are renewed. The expense and loss of time to both borrower and sureties in obtaining the loan and the repetition of these expenses every time the loan is renewed, make the system costly to the borrower, especially in the case of loans of small amount.

To the large farmer, the system appears to be fairly satisfactory, but, in regard to the small and medium farmers, the evidence conclusively showed that the present methods of obtaining small loans from Joint Stock Banks were unduly expensive to the borrower, even though the actual rate of interest charged were moderate.

It is not always easy for the small farmer to obtain sureties satisfactory to the Joint Stock Bank, and, when sureties have been obtained, expenses are incurred in taking them to the nearest town where there is a banking office and in entertaining them. These additional expenses, it is estimated, often bring the cost of a small loan up to 15 or 20 per cent. Nor does the expense end here; in many cases a surety will exact some benefit in return for his loss of time—a day's work, the grazing of an animal, the loan of a horse, or some similar service. The borrower becomes, in fact, under an obligation to a neighbour, and this is a source of further expense to him.

Another reason why, in the opinion of the Committee, the credit offered by the joint stock banks is not fully adapted to the needs of small farmers is that no account is, as a rule, taken of the purpose for which the loan is granted, and thus injury is frequently done to borrowers where credit is supplied without due safeguards for its proper use.

## § 2. POST OFFICE AND TRUSTEE SAVINGS BANKS.

There are, in Ireland, two classes of savings banks, the Post Office Savings Bank and the Trustee Savings Banks, but, unlike the savings banks in many other countries, they do not serve as sources of credit. The large deposits which they have attracted indicate, however, that, even in the rural districts, there is no real lack of capital for supplying the credit required, if only it could be directed into the proper channels.

The trustee savings banks, the characteristic feature of which is that the money deposited is invested (subject to many restrictions imposed by successive Acts of Parliament) by a group of persons acting as trustees, were first formed early in the last century and the total amount of deposits, which had reached £2,177,660 in 1840, have not shown any great

tendency to expand. At times, indeed, they have fallen considerably below this figure, but in 1913 they amounted to £2,612,000.

The funds deposited in the Post Office Savings Bank, which was first established in 1861, have increased with quite remarkable rapidity. Amounting to £1,556,000 in 1880, they increased to £3,273,000 in 1890; £8,059,000 in 1900; and £11,931,000 in 1910. In the two following years the increase continued to be very rapid. In 1912 the deposits amounted to £12,824,000 and reached £13,167,000 in 1913. That a very large proportion of this sum is drawn from rural districts is clearly shown by the returns for each post office. In many districts, quite remote from urban and manufacturing centres, the deposits amount to many thousands of pounds. The Committee expresses the opinion that grave economic injury is done to Irish rural districts by the withdrawal of these sums for investment in Government securities, and points out that if even a tenth of the money could be retained in the country for lending to small and medium farmers and labourers for reproductive purposes, enormous assistance would thereby be rendered to the economic progress of Ireland.

### § 3. MONEY LENDERS.

Evidence obtained by the Committee showed that it was not only the reckless and spendthrift borrower who had recourse to the professional usurer; but that many small and medium farmers, finding themselves in temporary financial difficulties and wishing to conceal their position, also obtained money in this way.

A proof that a large business is done in Ireland by money-lenders is found in the fact that their advertisements in the newspapers circulating in rural districts are very numerous. The advertisements rarely indicate the rate of interest charged. If they do give any such information, it is usually a mere indication of the terms of repayment, such as "Loans of £5, repayable weekly 2s. or monthly 8s.," which affords no clue to the actual cost of the loan. Occasionally it is stated that the interest charged is "5 per cent.," but this may mean 5 per cent. per month or even per week. The charging of a special fee for inquiry often further increases the cost of the loan.

Legislation has, it is true, been passed with a view to preventing money lenders from charging excessive interest, but it has proved ineffectual owing to the unwillingness of borrowers to face the publicity of a law-court. The Committee are of opinion that further legislation is desirable in order to curb the activity of the money-lender, but do not think it would be practicable to fix a maximum rate of interest. Nor are they sanguine that usury will be much diminished until a wide-spread system of credit, suitable to the needs of the small rural borrower, has been established in Ireland.



The Chief Registrar in Bankruptcy in Ireland, who had exceptional opportunities of acquiring knowledge of the facts, declared in his evidence before a Select Committee in the year 1898 that usurious transactions in Ireland were increasing largely. The statement is borne out by the increase in the number of money-lenders registered in Ireland under the Money-lending Act of 1900. Under this Act a money-lender's licence must be renewed every three years from the date of registration and in each third year since 1906 there has been a marked increase in the number registered. Thus the number registered in 1906 was 67; in 1909 it was 77 and in 1911 it was 118.

It was suggested that one reason for the increase of usurious transactions was that, under the Land Purchase Acts, the farmers are acquiring a greater negotiable interest in their land, and so are becoming more promising customers for money-lenders; but, on the other hand, there is evidence that, in some districts at any rate, the new tenant purchasers have shown extreme caution in borrowing upon the security of their holdings. The Committee, therefore, think that no safe generalisation can be arrived at as to the precise influence of land-purchase in Ireland upon the relations of farmers with money-lenders. They express the opinion, however, that, at the present time, when the soil of Ireland is passing on a vast scale into the hands of peasant proprietors, special precautions should be taken to prevent the farmers from becoming the victims of the wiles of professional usurers.

#### § 4. "TRUST" OR "CREDIT" AUCTIONS.

An ingenious, but most injurious, form of money-lending has been devised in Ireland in connection with the sale by auction of cattle or standing crops. It is known as the "trust" or "credit" auction.

There are many variations of the trust auction, but the most harmful type is thus described in the Report: "A farmer in need, say, of £20 ready cash, with little prospect of obtaining the same from a bank or a friendly neighbour, brings in one of his cows to the auction. The animal is put up for sale, and is bought by a friend (often by a son or brother of the seller. In many cases the friends of the latter, by their bidding, run the price up to a much higher figure than the animal is worth. A bill at three, four or six months, signed by one or two sureties, is given by the purchaser to the auctioneer, who usually discounts it in a joint stock bank, and pays cash, less the discount, to the seller, charging also the usual 5 per cent. auction fees. The seller of the cow then brings home the money, the obtaining of which was his sole object in going to the auction, while the nominal purchaser drives the cow back to the field or byre from which she came. The proceeds of the transaction are in some cases divided between the parties."

A witness told the Committee of a case where a farmer raised £10 on a cow by selling her to his son at an auction. The next day the same cow was sold by the son and bought by the father, so that £20 was raised on the one animal in two days. Other animals have been known to bring in £70 or £80 to the owner in a short space of time, being taken about from auction to auction.

Obviously the system can only lead to disastrous results. When the auctioneer's bill becomes due, it has to be met, and the farmer who obtains money through the trust auction rarely applies it to productive purposes. Even if he had done so, the time is too short for the investment to have brought in a return. To meet the bill, the performance is again gone through with a more valuable animal, and the farmer becomes more deeply involved in debt.

The cases in which the sale is a fictitious one are not, however, a large proportion of the trust auction sales which take place. Cases are frequent in which a needy farmer will buy an animal at an auction, giving a bill for the money and selling the animal the next day at another. Often he will sell the animal for less than the price he paid for it and thus to obtain (say) £8 he has given a bill for £10. A curious result of this system is that at trust auctions higher prices are obtainable for animals than at ordinary fairs where, as a rule, transactions are upon a cash basis. The purchasers on credit do not consider closely the value of the animals they buy, so that inferior animals are freely bought at trust auctions which would be scarcely saleable at ordinary fairs.

The "trust auction" originated in County Donegal and is practised chiefly in the Northern Counties. There is evidence, however, that it is spreading to other parts of Ireland and even to Scotland.

The Committee noted that, whereas it is chiefly the pecuniarily embarrassed farmers who resort to trust auctions, even industrious and deserving farmers are frequently found at such auctions. "In our opinion," says the Report, "one of the most convincing proofs that existing credit facilities do not fully meet the special requirements of the smaller farmers of Ireland is the fact that so many honest and creditworthy men find it necessary to fall back upon money-lenders and trust auctions as a source of capital in their times of difficulty."

#### § 5. CREDIT ADVANCED TO FARMERS BY SHOPKEEPERS.

While the credit advanced to farmers by shopkeepers still plays a large part in the rural economy of many districts in Ireland the evils attendant upon this form of credit have largely diminished in recent years. Formerly a type of local money-lender, known as a "gombeen man," was not uncommon, whose practice it was to advance money at high rates of interest and so cripple the necessitous farmers with indebtedness that they become almost helpless victims in his hands. The "gombeen man"

was often a shopkeeper and his debtors were unable to transfer their custom to another shop, through fear of being prosecuted for the amount due by them.

This type of money-lending shopkeeper has, happily, largely disappeared, owing to the greater facilities offered by the joint stock banks, the opening of competing shops and, in some districts, the starting of co-operative credit societies.

Nevertheless the system of giving credit to farmers for considerable periods in respect of purchases of agricultural or household requirements still continues. In itself an economic necessity, the system becomes injurious when over-indebtedness results and the farmer finds himself restricted to purchasing his requirements from a single source. The evil effects are increased in some districts by the fact that the shopkeepers purchase much of the farmers' produce, entering the price as part-payment of the debt, and often giving prices lower than the real value of the produce.

The evidence before the Committee showed that indebtedness to shopkeepers was increasing in some districts and decreasing in others, but it is thought that with the improving material condition of the new tenant-purchasers and their greater sense of the value of economic independence, it will, on the whole, steadily diminish. At present, however, it is undoubtedly excessive.

Somewhat similar to the credit given by shopkeepers is that given by co-operative agricultural societies. The society obtains an overdraft from a joint stock bank and buys seeds, manures, etc., for cash, taking advantage of the cash discount offered by the wholesale firms. The members amongst whom the requirements purchased are distributed are given credit until the autumn.

This form of credit, in the opinion of the Committee, is highly desirable and must often prove a boon to small farmers. Less beneficial, however, are the loans sometimes advanced by co-operative creameries to their members, which are repaid by means of the milk supplied; in many cases the results of this form of credit are far from beneficial.

#### § 6. THE LOAN FUND BOARD SYSTEM.

The Report deals at considerable length with the so-called Loan Fund Board system in Ireland. This system was described in outline in the *Bulletin of Economic and Social Intelligence* of January, 1912, but a study of the defects and failures of the system throws so much light on many of the problems of rural credit that we shall extract from the Report a somewhat fuller account.

As early as the eighteenth century, various associations of benevolent persons were formed with a view to making small loans of money to the poor classes to enable them to purchase implements of trade. These,

which became known as "Loan Fund Societies," were chiefly intended to assist town workers rather than agriculturists.

Towards the beginning of the 19th. century, various associations were formed in London with a view to improving the condition of the Irish peasantry. Loans were advanced through the medium of local committees in Ireland. A severe famine occurred in Ireland in 1822 and a sum of £331,081 was subscribed for the relief of distress. After the immediate distress had been relieved a sum of £40,000 remained in the hands of the Committee in which the fund was vested. Some of the local Relief Committees were also left with a surplus, and a total fund of £55,000 was found to be available. Under Acts of Parliament passed in 1823 and 1829 this fund was vested in County Boards of Trustees in ten Irish counties, which issued loans through the medium of local associations. To distinguish them from the existing "loan fund societies," these new associations were called "The Irish Reproductive Loan Funds."

The County Boards were subject to the control of a Board of Directors in London which, in 1844, obtained a Charter of Incorporation. Very quickly, however, laxity and even dishonesty was found to be prevalent in the working of the local associations and in 1848 (the year following that of the very severe famine of 1847) the London Board of Directors was dissolved by Act of Parliament and the money in hands was placed at the disposal of the Lord Lieutenant for application to such useful purposes as he might think proper, subject to the sanction of the Treasury. The fund was chiefly used for the encouragement of fisheries and is now vested partly in the Congested Districts Board and partly in the Department of Agriculture and Technical Instruction.

In the year 1823 special legislation was passed to encourage the formation of "Charitable Loan Societies." Any number of persons desiring to form such a society were authorised to do so. The societies were not allowed to make loans of more than £10 to any individual within twelve months, but they might make loans up to £100, repayable with interest in 12 months, to groups of three or more solvent persons, on their joint and several security. Implements of trade supplied by a society could not be distrained upon except at the suit of the society itself.

The Trustees or Managers of charitable loan societies were not allowed to receive any remuneration, but the clerks employed could receive salaries and expenses. This quickly gave rise to abuses. Members of the families of directors were in some instances largely remunerated and a very wide interpretation was placed on the expression "all necessary expenses." Accordingly in 1836 an Act was passed by which a central board of commissioners, entitled the "Loan Fund Board," was appointed to supervise the working of the societies.

The same Act prohibited the making of any loan on personal security to any on individual at any one time exceeding £10 in amount, and the making of another loan until the previous one had been repaid. It authorised the societies to charge interest at a rate not exceeding 6d. in the pound for 20 weeks, and to require the payment of the interest in advance. The

Trustees of a society were empowered to devote surplus profits to local charitable purposes. In certain events, such as the dissolution of the society, the approval of the Loan Fund Board was required for the appropriation of the profits.

Two years later, in 1838, a further Act was passed, which withdrew the Irish Reproductive Loan Fund Societies from the control of the Loan Fund Board. According to the Report for 1842 of the Loan Fund Board there were in that year about 100 societies exempt from their control and about 30 other societies at work which illegally claimed to be exempt.

Abuses again began to be apparent in the working of the societies and a further Act was passed in 1843. It authorised a rate of *discount* on loans not exceeding 4d. in the pound for 20 weeks, a considerable reduction of the rate authorised by the Act of 1836. It also empowered the Loan Fund Board to permit societies to lend funds at *interest* not exceeding 1½d. per pound per month, repayable by instalments at intervals of not less than 27 days.

The number of loan fund societies reached its maximum (300) in 1842, but the capital and circulation reached their highest figures in 1845, although the number of societies had fallen to 245. In that year the capital was £444,427, and 507,339 loans were granted to a total amount of £1,857,457. The great famine of 1847 brought about a heavy decline in the business of the societies, the number of loans in that year being almost 240,000 less than in 1845, and their total amount £906,750 less. The decline was due in the main to the withdrawal of deposits. Confidence in societies issuing loans to the humbler classes in Ireland was shaken by an economic disaster which brought numbers belonging to those classes to absolute starvation. Many persons, too, who had deposited their savings with the loan fund societies withdrew them for the purpose of emigrating. Many societies failed in 1847 on account of the inability of the peasants to meet their engagements, and others owing to the embezzlements of fraudulent clerks who accounted for the missing money by pretending that the borrowers had died, emigrated to America or gone to the poor house without repaying their loans.

Other causes besides the famine contributed to the decline. The Loan Fund Board was endeavouring to close the societies of doubtful character; while the bad management of some of the societies and the operations of uncertified societies were already tending to bring the system into disrepute.

A Committee of the House of Commons was appointed in 1855 to inquire into the working of the loan fund system, and the evidence showed that grave abuses were prevalent. The expenses of management were unduly heavy and in order to make good the losses which would otherwise have occurred, the societies had recourse to illegitimate sources of revenue. They levied excessive fines for delay in the repayment of instalments, and made heavy charges for cards and papers. These charges

enormously increased the expense of the loan to the borrower, bringing it often up to 20 or 25 per cent.

The House of Commons Committee of 1855 ascertained that there was a general, though wholly erroneous, impression that deposits in a loan fund society were guaranteed by the Government, and it appears from evidence given before the Departmental Committee on Agricultural Credit that this misapprehension is still prevalent.

In their Report, the Committee of 1855 drew attention to the inadequacy of the powers of the Loan Fund Board; urged the necessity of frequent and efficient inspections; recommended that steps should be taken to prevent the levying of excessive fines; that surplus profits should be carried to a reserve fund; and that after a sufficient reserve had been created, the interest charged to borrowers should be lowered to an amount sufficient merely to pay expenses. Unfortunately no direct action was taken as a result of the Report.

The operations of the societies continued to decline, but in 1874 the loans granted amounted to the still fairly large sum of £523,048. In 1896 a Committee of Inquiry was appointed and presented a report which showed that abuses and defects not only existed but were very general amongst the societies.

The Committee of Inquiry found that

- (a) An almost universal overlapping of districts existed.
- (b) The management was usually left in the hands of the clerks, without adequate supervision by the committees.
- (c) The maximum salaries allowed by the rules were usually paid to the clerks, the average being £96 10s. per annum, although this was usually excessive having regard to the duties performed, and the same persons frequently acted as clerk to several societies, with salaries totalling from £200 to £600 per annum.
- (d) Excessive rent was often paid for office accommodation, especially when the clerk of the society was landlord, and treasurers frequently received remuneration under the heading of "incidental expenses."
- (e) The majority of the societies had become merely private money-lending offices, charging the maximum rate of discount to borrowers and making loans indiscriminately without regard to the character of the borrowers.
- (f) Fines had everywhere been made a source of revenue and were everywhere calculated on the maximum scale.
- (g) Renewals of loans had been the practice in the majority of the societies and, with the infliction of fines, often caused the rate of interest paid by borrowers to exceed 20 per cent. per annum, not including the expenses of bringing in sureties, etc.
- (h) The needs of agricultural borrowers were not met by loans repayable in weekly or monthly instalments, since such borrowers could not obtain a return from the expenditure of the loan until the end of seven or eight months.

The most serious abuse discovered was the practice of giving renewals. It was ascertained that thousands of poor people had been kept permanently in debt at a high rate of charge for long periods—ten, twenty and even forty years—long after the loans had ceased to be of productive utility to the borrowers. The Committee of Inquiry recommended that a clear interval of at least one week should elapse between the payment of the final instalment of one loan and the issue of another to the same individual.

The Report of the Committee of Inquiry further shook public confidence in the loan fund system, and the number of societies declined from 102 in 1897 to 82 in 1898, with successive declines in subsequent years, until it now stands at 51. The amount of loans granted similarly declined from £341,464 in 1897 to £190,846 in 1912. It should be noted, however, that it was about 1896 that co-operative credit societies began to be formed, and that the number of branches of joint stock banks has greatly increased since that year. This increase in credit facilities has further contributed to the decline of the loan fund system.

Another cause which helped to reduce the operations of the loan fund societies was a legal decision given in 1896 that renewals of notes purporting to be given under the Loan Fund Act could not be sued under that Act. The difficulty of recovering the arrears of money due in respect of renewed loans was removed by Acts of Parliament passed in 1900 and 1906, but in the meantime many societies were dissolved and the business of others was reduced by the withdrawal of deposits.

In 1912 a Viceregal Committee was appointed to inquire into the financial position of the Loan Fund Board, but reported that the time had come to determine whether the Board could continue to exist, circumstances having changed since it was established in 1843.

The Departmental Committee on Agricultural Credit has, by special desire of the Irish Government, inquired into the Loan Fund System with a view to ascertaining how far it is adapted to the requirements of the agricultural classes, and from this point of view expresses the opinion that it is essentially defective.

One of the principal defects lies in the constitution of the loan fund Societies, more especially in the arrangements for the appointment of Committees. The number of members is usually small and though the election of the committee nominally takes place at an annual meeting, it is practically a process of co-option. The committees are, very frequently, apathetic in the performance of their duties, and leave too much responsibility to the clerks.

The system of weekly repayments is quite unsuitable for the purpose of agricultural credit. It was originally devised for industrial loans, but the majority of the borrowers have long been agriculturists. Thus in 1911, no less than 61 per cent. of the borrowers were farmers. Nor is the system of monthly repayments much better adapted to the requirements of agricultural borrowers, especially as the practice has been to limit the period of the loan to five months, though a more extended period would have been permissible under the Act of 1843.

The rates of interest charged on the loans, are unduly high. The following are some of the more usual rates charged by loan fund societies:

TABLE II. — *Rates of Interest Charged by Loan Fund Societies.*

Charges made	Rate of Interest per £ 100 per annum		
	£	s.	d.
(a) Discount of 4d. on loan of £1 for 20 weeks, repayable in weekly instalments . . . . .	8	5	6
(b) Interest at $1\frac{1}{2}$ d. per £1 per lunar month (28 days) . . . . .	8	2	11
(c) Discount of 4d. on loan of £1 for 20 weeks, repayable in (lunar) monthly instalments . . . . .	7	4	10
(d) Discount of 6d. on loan £1 per 20 weeks, repayable in (lunar) monthly instalments . . . . .	10	17	2
(e) Discount of $7\frac{1}{2}$ d. on loan of £1 for 20 weeks, repayable in (lunar) monthly instalments . . . . .	13	11	7

As has been already noted, the cost of the loans to the borrowers is frequently increased by the imposition of fines for tardiness in repayment.

Many witnesses advocated the increase of the maximum amount of a loan from £10 to £20 or £30, and the Committee recommend that, in any legislation dealing with loan fund societies they should, in this respect, be assimilated to the agricultural credit societies, which are empowered to grant loans up to £50 in amount.

The evil of excessive salaries was found to be still prevalent, though the average per society had fallen from £96 10s. in 1896 to £74 in 1912. Cases were noted where the salaries paid amounted to 10.1, 10.5, 11.5 and 18.8 per cent of the working capital. One society, with a capital of £3,409, of which only £1,709 was actually in circulation on December 31st, 1912, pays annually £245 to four officials, although the number of loans issued average only 22 per week, or 3 per day.

Nor are the salaries the only expenses of management, so that in many cases the total expenses are far beyond what is required, and even though much of the capital, being original subscriptions or unappropriated profits, is held free of interest, and high rates of interest are charged on the loans, losses result in the year's working.

In the year 1912, there were 51 societies still in existence, and their aggregate working capital at the end of that year amounted to £79,979, of which £56,001 was held free of interest.

"The capital thus held entirely free of interest by forty-nine of the fifty one loan fund societies," says the Report, "is almost precisely the same in amount as the total capital, £56,554 (including deposits,



State advances, and bank overdrafts), held by over 170 credit societies in Ireland in December, 1911, at from  $3\frac{1}{2}$  to 5 per cent. In spite of holding such a large amount with no cost for interest, the loan fund societies usually lend it out at the rate of from 7 to 8 per cent, and in some cases at 10 and even 13 per cent; while the credit societies though borrowing at from  $3\frac{1}{2}$  to 5 per cent, usually charge borrowers only 5 or 6 per cent. The contrast is, to say the least, very striking; and is all the more suggestive when we find such cases as that of the Antrim Society which with £4,057 in free capital, finds a demand for only a little over £1,000 (at 7 per cent interest) and keeps £3,000 locked up in Government securities, or the Londonderry Society, which with £3,409 in free capital, similarly finds a demand for only one half this amount at from 8 to 11 per cent per annum... In view of the incontrovertible fact that very large numbers of small farmers and labourers in all parts of Ireland are, as shown by the evidence at our Inquiry, greatly in need of a system of loans, especially in the spring-time, for current expenditure and not repayable until the autumn or winter, it is a matter for the deepest regret that the loan fund system, which might have done so much—even under the actual and supposed limitations of the Act of 1843—should have failed so completely in many cases, especially where considerable sums of free capital were available, to do much more than provide salaries to officials to the detriment of the interests of borrowers."

The Committee recommend that the Loan Fund Board should be discontinued, its functions being transferred to the Department of Agriculture, and that the loan fund societies should be converted into agricultural credit societies, which they hold to be far more suitable agencies of rural credit.

#### § 7. CO-OPERATIVE AGRICULTURAL CREDIT SOCIETIES.

We come now to that portion of the Committee's Report which relates to co-operative agricultural credit societies. As we have already published accounts of the co-operative credit movement in Ireland, and the system is familiar to readers of the *Bulletin of Economic and Social Intelligence*, we shall pass lightly over the sketch given by the Committee of the growth of co-operative credit in Ireland, contenting ourselves with noting that whereas the number of registered agricultural credit societies in 1911 was 308, the Committee, after careful investigation, came to the conclusion that, at most, 176 societies were in actual operation and that, even of these, many were in a state of stagnation; that the membership in 1911 was reported as 19,505, and that the total loans granted during the seventeen years ended 1911 amounted to about £500,000, the recent average being about £55,000 per annum.

The Committee made a close study of the working of the existing societies and, while acknowledging the merits of the system and the ex-

cellent work done in many cases, noted many defects which it would be desirable to remove.

(a) *Liability of Members in Credit Societies.*

The Report discusses at some length the question whether it is desirable that the liability of members of credit societies should be limited or unlimited, and comes to the conclusion that the adoption of unlimited or limited liability is not so much a matter of principle as of expediency and of adaptation to varying economic and social conditions.

The chief argument in favour of unlimited liability put forward by witnesses was that it was requisite to ensure careful management, but the Committee remark that it is possible greatly to over-emphasize its efficacy in this respect and that in many credit societies in Ireland, where the liability is unlimited, the members have not looked closely after their own interests.

Unlimited liability has, the Committee maintain, the tendency to exclude the more substantial farmers from becoming members. They express the opinion that the co-operative credit movement in Ireland would have made more satisfactory progress if a larger number of substantial members had from the beginning given their aid.

It is recommended, then, that when a credit society is being organised the relative advantages of both systems should be explained and the choice left to the persons desirous of forming the society. The Committee has prepared a set of draft rules for limited societies, under the existing Industrial and Provident Societies Acts, with share capital, each share being £5 in value with 5s. paid up, and also draft rules for unlimited liability societies, under the Friendly Societies Acts. They point out, however, that the existing Acts of Parliament are unsuitable for credit societies and urge that special legislation should be passed dealing comprehensively with the whole subject.

(b) *Deposits in Credit Societies.*

The obtaining of deposits by credit societies is important both as a source of capital and as an incentive to thrift. A few credit societies in Ireland have been exceptionally successful in obtaining deposits, but on the whole the Committee consider the results of the co-operative credit movement in Ireland to be extremely disappointing in this respect. Of 163 societies whose returns appeared in the last published Report of the Irish Agricultural Organisation Society, 65 societies, or 40 per cent, had obtained no deposits whatever. Of 98 societies returned as having deposits, 37 held deposits of less than £100 in amount. Moreover out of the total of £27,290 held in deposits by 98 societies, £14,154, or more than one-half, was held by 14 societies.

The deposits amount to an average of only £850 per county, a sum which the Committee consider should be available in almost every parish

in the country for the purpose of a credit society, if the confidence of small depositors could be secured.

To attract deposits security is more important than a high rate of interest, and many witnesses urged the desirability of some form of Government guarantee. This the Committee do not recommend. They think, however, that with an adequate system of Government inspection and control the credit societies would obtain the confidence of the public.

They recommend that a maximum rate of  $3\frac{1}{3}$  per cent. should be paid to depositors. This would exceed by almost 1 per cent the rate paid by the Post Office Savings Bank, and would leave an ample margin for profit if the deposits were all lent out. Further it is lower than the rate charged by joint stock banks or State Departments on money advanced to credit societies, and so there would be an inducement to the societies to encourage deposits rather than to obtain the money from banks or the State.

It is more advantageous to a credit society to obtain small deposits than large ones, and the Committee recommend that a lower rate of interest should be paid on large deposits and that longer notice of withdrawal should be required.

*(c) Surplus Deposit and Central Credit Institutions.*

Whereas in Ireland the difficulty experienced by credit societies in obtaining additional capital during the seasons when the demand for credit is largest has been partially solved by the willingness of the joint stock banks to make advances to them in the form of overdrafts, the question how to deal with deposits in excess of the borrowing requirements of the members has never been satisfactorily solved. The two problems are closely related since, in most countries, there are central institutions which accept the surplus deposits of some societies and lend these funds to other societies which have need of additional capital.

The Committee examines the different types of Central Bank which are found in various countries and discusses whether any of these types could with advantage be adopted in Ireland. They come to the conclusion that it is not desirable, at the present stage of the movement, to establish a central co-operative bank in Ireland. They consider that it is the soundest policy at present for the credit societies to accept only such deposits as are found, on the average, to be sufficient to furnish the loans required by members, relying for additional capital or for the means of repaying unexpected withdrawals of deposits upon their power to obtain overdrafts from the joint stock banks. A tendency to excessive deposits could be met by lowering the rate of interest.

At the same time the Committee recognise that if credit societies become much more numerous than at present it may be desirable to establish a central co-operative bank.

It appeared, in the course of the Inquiry, that credit societies registered under the Friendly Societies Act have not power to place surplus funds on deposit in any joint stock bank except the Bank of Ireland.

and the Committee recommend that this power should be conferred upon them.

(d) *The Question of Trading Powers for Credit Societies.*

In view of the desire which has been expressed during the past few years that credit societies should be empowered to do trading, the Committee considered carefully whether it was advisable that such powers should be conferred. After reviewing the practice, in this respect, of Continental countries, and the arguments advanced in favour of trading powers, they came to the conclusion that the disadvantages of combining trading with credit business greatly outweighed the advantages.

They point out that the qualifications required for satisfactorily filling the positions of secretary to a trading society are different from those required in the secretary of a credit society, and that the difficulty of finding a suitable secretary would probably be increased if credit societies undertook trading; that a trading society can, as a rule, more profitably operate in a larger area than a credit society; that there would be difficulty in keeping the banking and trading accounts of a single society separate, and that the secretary would be tempted to devote himself to the more profitable branch of the work; that a society which combined banking and trading would not attract deposits to the same extent as a society which only did credit business, and would be unable to count upon the facilities for obtaining overdrafts now afforded by the joint stock banks.

(c) *Loans made by Credit Societies.*

Passing on to consider the advances made by credit societies in Ireland, the Report presents the following table showing the amount of loans granted in each year since 1895 with the number in each year since 1901:

TABLE III. — *Loans made by Credit Societies.*

Year	Loans advanced	
	Number	Amount £
1895 . . . . .	—	100
1896 . . . . .	—	388
1897 . . . . .	—	475
1898 . . . . .	—	3,306
1899 . . . . .	—	5,550
1900 . . . . .	—	7,270
1901 . . . . .	2,534	10,459
1902 . . . . .	3,241	15,447
1903 . . . . .	3,722	20,435
1904 . . . . .	5,822	31,742
1905 . . . . .	7,453	43,641
1906 . . . . .	8,447	50,264
1907 . . . . .	9,046	53,112
1908 . . . . .	8,926	56,004
1909 . . . . .	9,213	57,640
1910 . . . . .	8,618	55,855
1911 . . . . .	7,967	56,055
1912 . . . . .	8,522	58,244

These figures indicate that the number and amount of the loans have remained almost stationary for the past seven or eight years, and that the amount annually granted is trifling in relation to the credit needs of small agriculturists. The loans have, however, in the opinion of the Committee, unquestionably proved a boon to many struggling small farmers.

As the total capital of the societies in 1911 was £56,554, it appears that the capital is turned over almost exactly once in the year.

The undesirable practice of renewing loans has, it appears, become prevalent in many societies. In 1910 an Inspector appointed by the Department of Agriculture reported that out of 103 societies which then held loans from the Department, 56 societies frequently granted renewals. This is, in the opinion of the Committee, one of the most serious defects possible in a credit society, and they urge that at least one month should elapse between the repayment of one loan and the granting of another. The chief safeguard against renewals would be, however, the stringent carrying out by Committees of the Rule that "loans shall only be granted for some purpose."

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fitable or productive purpose, or one which will effect a saving or economy to the borrower," and the refusal to grant further loans to persons who have proved habitually irregular in repayment.

The unwillingness of farmers to allow their financial needs to become known to their neighbours is noted as one of the reasons for the slow growth of co-operative credit in Ireland, and it is urged that greater secrecy should be observed on the part of the committees.

In regard to the period of repayment, the Committee approve of existing arrangements, except that they think the maximum period should be fixed at three years. They maintain that, in Ireland, it is undesirable to adopt the current account system in credit societies; the safest plan, in their view, is that loans, definite in amount, should be made for definite periods and for definite purposes, approved of in each case by the Committee.

In view of the undesirability of allowing cash to remain longer than necessary in the hands of the Secretary or Treasurer, the Committee urge that where possible all the transactions of a Society, including the making of loans and the refunding of deposits, should be made by means of cheques on the joint stock bank in which the society's current account is kept.

Under the Friendly Societies Act, a credit society cannot advance more than £50 to any one member, and evidence was given that not more than a dozen loans of £50 have been made by the societies in Ireland. The average loan granted in 1911 was £27; in 1910, £6 10s.; in 1909, £6 5s.; in 1908 £6 5s. The Committee urge that the maximum of £50 should be retained, and that, in limited liability societies no member should be allowed a loan exceeding £5 for each £5 share held by him.

In regard to the rate of interest charged upon loans, the Committee recommend that the normal rate should be  $6\frac{1}{4}$  per cent, equivalent to  $1\frac{1}{4}$ d. per £1 per month. In conjunction with the proposed rate of  $3\frac{1}{4}$  per cent. interest to be paid on deposits, this would leave a sufficient margin of profit.

The rate of interest on loans could be reduced when the reserve fund reached a certain amount, say £300. In 1911 the average reserve fund of the societies was about £25, and only one society had a reserve fund exceeding £300.

Incidentally, in reference to loans for the purchase of live stock, the Committee note the great need in Ireland for a system of mutual live-stock insurance.

They further point out that the agricultural labouring class is likely to derive considerable benefit from the extension of the co-operative credit movement. The joint stock banks are not able to make advances to labourers, but there is a large proportion of labourers amongst the borrowers from the loan fund societies. Their needs, however, in respect of the funds required for the proper cultivation of their plots of land, the purchase of a cow, etc., can best be met by co-operative credit societies, and the Committee suggests the organisation of societies catering specially for their requirements.

(f) *Registration, Annual Returns, etc.*

Of 310 credit societies which have been registered in Ireland, almost two-fifths have ceased to exist or never did any business. The Committee express the opinion that it is eminently unsatisfactory that so many societies should have been registered without more reasonable prospect of their success. Of recent years, however, the policy of the Irish Agricultural Organisation Society has been to refuse to form a credit society unless 40 solvent men of the district are ready to sign the application for registration and to pay the membership fee.

While attaching considerable importance to the strict enforcement of the legal obligation of credit societies to furnish an Annual Return, the Committee recommend that the existing Form of Return should be simplified, and that an improved form of account books should be supplied to the societies.

The number of credit societies in Ireland which fail to furnish Annual Returns to the Registrar appears to be increasing. In 1911 there were 308 credit societies on the books of the Registrar, of which 171 failed to furnish returns. Many of these were societies which had never started work after registration and, therefore, had only a nominal existence, but of 193 societies which figured in the Report of the Irish Agricultural Organisation Society as working, no less than 56 sent no returns to the Registrar, though only 26 failed to supply the Organisation Society with information as to the business transacted during the year. Some societies, on the other hand, furnished returns to the Registrar, but gave no information to the Organisation Society.

The Registrar expressed to the Committee his intention of taking steps to cancel the registry of the defunct credit societies. He had already struck off the Register about 150 co-operative creameries which were doing no business.

A serious defect noted by the Committee in the working of many credit societies is the absence of any proper arrangements for the safe custody of the books and confidential documents, or even of the cash in hand.

(g) *The Secretaryship of Credit Societies.*

In country districts there is often a difficulty in obtaining the services of a suitable secretary, but the Committee urges that it would be better to abandon the formation of a credit society altogether rather than try to proceed with an inefficient secretary. They maintain that (contrary to the usual practice in Ireland) the secretary should be given some remuneration for his services. Such remuneration should, however, be small, not exceeding £10 to £12 a year, and it should in no case be calculated as a percentage of the business done. They also urge that the secretary should always give security for the proper discharge of his duties.

(h) *State Advances to Credit Societies.*

Much interest attaches to the Committee's investigation into the advances made by state departments in Ireland to credit societies and their conclusions regarding the desirability of such advances.

The Congested Districts Board, it appeared, had made advances out of its funds to credit societies in congested areas since 1898, besides contributing to the expense of organising such societies. Advances amounting to 5,920 had been made to 80 societies, and in the case of 23 societies loans amounting to £1,575 had been repaid or withdrawn. The Board does not appear to have suffered any monetary loss in respect of the loans advanced, but some of the societies have been in possession of the loans for many years and have probably come to regard them in the light of a permanent grant.

The following figures show the amount of outstanding advances at the end of each year from 1898 to 1913:

TABLE IV. — *Advances to credit societies made by the Congested Districts Board: Amounts outstanding.*

Year	Amount outstanding on loan from Board £	Number of Credit Societies concerned
1898 . . . . .	800	13
1899 . . . . .	1,700	24
1900 . . . . .	2,330	29
1901 . . . . .	2,980	36
1902 . . . . .	3,430	40
1903 . . . . .	4,330	47
1904 . . . . .	5,030	57
1905 . . . . .	6,000	68
1906 . . . . .	5,888	65
1907 . . . . .	5,872	63
1908 . . . . .	5,930	64
1909 . . . . .	5,675	60
1910 . . . . .	5,552	60
1911 . . . . .	5,395	57
1912 . . . . .	5,320	57
1913 . . . . .	5,045	54

A member of the Congested Districts Board, in his evidence, expressed the opinion that there was not the same active local control over the



business in the case of societies which were wholly dependent for their capital upon the advances made by the Board. There were 12 such societies in 1911.

The Department of Agriculture, which came into existence in 1901, immediately adopted the same policy as the Congested Districts Board had followed and made advances to credit societies in non-congested areas. The following table indicates the amount of the loans outstanding at the end of each year from 1901 to 1913:

TABLE V. — *Advances to credit societies made by the Department of Agriculture: Amounts outstanding.*

Year	Amount outstanding on loan from the Department £	Number of Credit Societies concerned
1901 . . . . .	1,350	18
1902 . . . . .	4,655	53
1903 . . . . .	7,455	86
1904 . . . . .	8,835	99
1905 . . . . .	9,813	118
1906 . . . . .	9,433	117
1907 . . . . .	12,913	141
1908 . . . . .	12,263	130
1909 . . . . .	10,021	105
1910 . . . . .	8,498	94
1911 . . . . .	7,852	87
1912 . . . . .	7,074	76
1913 . . . . .	6,523	71

In 1907 when the advances made by the Department reached a maximum, 141 societies held loans from the Department and 63 from the Congested Districts Board. As, however, 23 societies held loans from both bodies, there were 181 societies in possession of state advances. This was equivalent to 80 per cent. of the societies recorded as working, and 66 per cent. of those furnishing returns.

Up to December 31st., 1913, the Department had made advances of £18,442 to 170 credit societies. The loans were granted for eighteen months, but were not usually called in until the society was thought to have obtained sufficient local deposits to be enabled to dispense with the money, or until the money was required to lend to other approved applicants.

In 98 cases, the whole of the loans, to the value of £9,945 were repaid, but in 25 of these cases the Department found it necessary to take legal

action for the recovery of the money and in 36 cases to exert pressure, short of legal action.

In 23 other cases, in which the total amount lent was £1,481, the advances had been partially repaid. Legal action was necessary in 4 of these cases and pressure was exerted in 7 cases.

The Committee regard the failure of so many societies to repay the advances except under pressure as very unsatisfactory. They found on inquiry that one very general cause was the widespread feeling that the loan was in reality a permanent gift. Another reason assigned was the fear that the withdrawal of the advance would weaken the confidence of depositors.

In three cases the Department wrote off as irrecoverable a portion of the advances made to societies; the total amount so written off was £151, equal to 1.3 per cent of the amount repaid.

In 1910 the Department caused a special inquiry to be made into the working of the societies holding loans from it. Of 103 societies which he visited, the inspector classed 22 as "satisfactory," 36 as "fair" and 45 as "unsatisfactory." The causes of the unsatisfactory condition of so many of the societies were reported to be the admission of unsuitable members; the difficulty of finding a competent secretary; the indifference of many committees to their duties; the occasional retention of loan capital by the secretary; the disregard of the object of the loans; the habitual renewal of loans by some societies; the difficulty, in some instances, of obtaining either deposits or a bank overdraft; and, lastly, the careless custody of books and documents.

The Committee note that whereas, in some cases, an advance from the State has encouraged deposits by giving confidence in the security offered, in other cases it has led to a slackening of the effort to obtain deposits. Between 1907 (when the Department of Agriculture ceased making fresh advances to credit societies) and 1911 the deposits increased from 35 to 48 per cent. of the total capital in the societies furnishing returns.

After considering carefully the advantages and disadvantages of State loans to credit societies, the Committee arrived at the conclusion that the disadvantages greatly outweighed the advantages. They recommended, therefore, that the advances outstanding should be withdrawn by a system of gradual repayment spread over 18 months or 2 years so as to give ample opportunity to the societies to adapt their arrangements accordingly. To avoid causing possible hardship, the advances might be allowed to remain in cases where beneficial use was being made of the money and there was no reasonable prospect of the society obtaining capital by means of local deposits or a bank overdraft; such cases, however, should be very exceptional, and on any state advances so allowed to remain, interest should be charged at not less than 3½ per cent.

(i) *Inspection and Audit of Credit Societies.*

"If there has been one aspect of the co-operative credit movement which more than any other has impressed itself upon the attention of the Committee," says the Report, "it is the paramount importance of an effective and regular system of inspection and audit of the societies."

At the present time, the accounts of the societies are usually audited by the Irish Agricultural Organisation Society. To avoid congestion the Organisation Society notifies each society in turn when it is in a position to examine the books; these are then forwarded to the Organisation Society and returned as quickly as possible. Delays, however, occur in some cases on account of the books having been sent in an incomplete state, or for other reasons, and the absence of the books interferes with the business of the society.

The Committee do not consider that the present method is adequate; they hold that an audit conducted at the office of the credit society itself is essential for the proper safeguarding of the interests of depositors and members. The main advantages of such an audit would be:

- (1) The cash in hand would be counted by the auditors;
- (2) The delay and inconvenience caused to the operations of the society by the despatch of its books and accounts to Dublin for audit would be avoided;
- (3) The secretary, treasurer, and any members of the committee would be present to explain to the auditor any matters on which he required information, thus obviating correspondence;
- (4) The auditor, in his turn, would be in a position to give useful advice to the society on the various points raised.

In view of the expense of conducting the audit locally, the Committee recommend that the cost of audit should be borne, wholly or in part, by the State. They do not advise that direct audit should be undertaken by the State itself; they think it a sounder method that the societies should employ public auditors. Expense might be avoided, as the movement grew, by employing separate auditing firms for specified districts.

On the question of the State supervision of credit societies there was considerable divergence of opinion amongst the witnesses. Some witnesses expressed disapproval of State inspection or supervision; others considered it necessary for the protection both of depositors and of borrowers. This divergence was also found amongst the members of the Committee. The majority recommended that the inspection and supervision of credit societies should be undertaken by the Department of Agriculture, but three of the members dissented from this recommendation.

In support of state supervision it was urged that even if the Irish Agricultural Organisation Society had the funds necessary adequately to supervise the credit societies it has not so much power as the State to enforce improved methods on unsatisfactory societies.

The majority of the Committee (the same three members dissenting) recommended that the Department of Agriculture should undertake also

the organisation of co-operative credit societies with the assistance of the County Committees of Agriculture and the Itinerant Agricultural Instructors. Where it was not possible to utilise the services of the Agricultural Instructors, special organisers might be appointed.

To supervise and co-ordinate these and other operations in the sphere of agricultural credit, the Committee recommended the establishment of an Agricultural Credit Section of the Department of Agriculture. To this should be entrusted the extensive lending business which (as we shall see presently) the Department of Agriculture already carries on in connection with its various schemes of loans for agricultural purposes. They further proposed that a small Advisory Committee should be appointed in connection with the suggested Agricultural Credit Section. The Committee might be composed of representatives of the affiliated credit societies and loan fund societies, the joint stock banks, the Irish Agricultural Organisation Society, the Board of Works and the Congested Districts Board. Such an advisory body would, it was held, help to co-ordinate the various interests involved and would be in a position to suggest improvements in the working of the scheme.

#### § 8. AGRICULTURAL LOANS ADVANCED BY STATE DEPARTMENTS.

##### (a) *The Board of Works.*

The Report then passes to consider the agricultural loans and grants administered by State Departments. The most important of these are the advances made by the Commissioners of Public Works, which may be divided into two classes, loans for arterial drainage and loans under the Land Improvement and Land Law Acts).

The question of arterial drainage has formed the subject of inquiry by several Vice-regal Commissions, the latest of which published its report in 1907. While emphasising the importance of arterial drainage in Ireland, in order to secure the farmers against disastrous summer floods and against the saturation of their lands, and in order to give field drainage throughout the country, the Report of the Vice-regal Commission of 1907 points out that the transference of the land of Ireland from the hands of a comparatively small number of landlords to a numerous body of tenant-purchasers has greatly increased the difficulty of carrying out drainage schemes.

From 1842 to 1863, the Board of Works advanced £2,082,452 for arterial drainage and from 1863 to 1913 only £855,054. Of recent years the amount advanced has been exceedingly small, and the Agricultural Credit Committee is of opinion that there is need for a complete revision of the legislation relating to arterial drainage.

Loans for land improvement have been made to landowners under the Landed Property Improvement Act, 1847, and subsequent amending acts.

and to tenants under the Land Law Act of 1881. A loan under the Land Improvement Acts must be at least £100, with the exception that the erection of farm-buildings a loan of £50 may be granted. Loans to tenants are not less than £35 and must not exceed £1,000. The normal period of repayment is 22 years; the annuity-charge is  $6\frac{1}{2}$  per cent equivalent to interest at the rate of £3 8s. 3d. per cent. The expenses of the loan, which amount to £2 on a loan of £35 to £40, £5 on a loan of £100, and proportionately less on larger loans, are deducted from the first instalment of the loan advanced. This increases appreciably the rate of interest payable on the loans.

As security for the loans advanced by them the Board of Works require a charge in the nature of a mortgage on the borrower's interest in the land.

On the whole the repayment of the loans has been satisfactory. Up to 1910-11, more than £6,000,000 had been advanced, of which nearly £5,000,000 had been repaid, and about £30,000 had to be written off as irrecoverable. There is, however, some unpunctuality in the payment, and the Board is obliged to take proceedings against 1 in 33 of the debtors every year.

As showing the extent to which advantage is still being taken of the system, it may be noted that in 1912-13 loans to the amount of £66,397 were made to 1,144 persons under the Land Improvement Acts and £41,477 to 1,056 persons under the Land Law Act. The great majority of these loans were for the erection of farm buildings.

According to the Rules under which loans are made by the Board of Works, no loan granted under the Land Law Act may amount to more than three times the annual value to be charged. Under the Land Improvement Acts, no loans are advanced to landlords amounting to more than seven times the valuation, and to tenant-purchasers the amount is usually restricted to five times the valuation. Comparing these regulations with the minimum sums granted, it will be seen that a tenant-purchaser of a holding of less than £7 valuation or a tenant of a holding of less than £12 valuation would be unable to obtain advances from the Board of Works. The system, therefore, does not furnish credit facilities to the very small farmer. To meet the case of small farmers desiring to erect hay barns costing less than £35, the Department of Agriculture has drawn up a scheme for advances of smaller amount. It is pointed out by the Committee as an anomaly that two Government Departments should be making loans for the same purpose.

The Committee are of opinion that much might be done to render the system of long-term loans more beneficial to Irish agriculture, and especially to the smaller farmers, and urge that, not only should the system be re-organised, but the administration of the purely agricultural loans now advanced by the Board of Works should be transferred to the Department of Agriculture.

(b) *The Congested Districts Board.*

Loans for various purposes have been granted to farmers by the Congested Districts Board, but this is only a subsidiary part of their operations. From the date of its establishment (1891) to 1912 the Board made 384 loans amounting to £26,464. These included 772 loans (amounting to £12,666) for the purchase of live-stock, and 303 loans (amounting to £1,558) for the erection or improvement of dwelling houses or the erection of out-offices. The scheme of loans for the erection or reconstruction of dwelling houses has been hindered by the difficulty which the applicants have found in establishing satisfactory titles to their holdings. Thus in the year 1911-12, of 623 loans applied for, only 66 were sanctioned, and the applications refused the grounds of refusal were the inability to show satisfactory title.

The system adopted by the Congested Districts Board of giving free grants to very small farmers for the erection or improvement of dwelling-houses, on consideration that the value of the work done shall be considerably in excess of the amount of the grant, has been described in a recent title (1). The Agricultural Credit Committee express the opinion that could only be justified by the exceptional poverty of many districts and regard that it should be regarded as only a temporary expedient.

(c) *The Department of Agriculture and Technical Instruction.*

The Department of Agriculture, from the time of its foundation in 1900, found the lack of capital on the part of small farmers a hindrance to the carrying-out of many of its schemes for the development of agriculture. It has, accordingly, been obliged to take steps towards meeting the need, and has initiated various schemes of loans to farmers.

Its loans for the purchase of live-stock are not aimed at benefiting individual farmers so much as at introducing pure-bred animals for the benefit of the surrounding locality. Up to March 1913, 2,071 of these loans, amounting to over £67,000 had been advanced. The loans are guaranteed by the applicants and two or more solvent sureties. In the case of bulls they are repayable in two equal annual instalments; in the case of horses, in five annual instalments. The rate of interest charged is 2½ per cent.

Loans for the erection of wire-fencing have been made in the counties containing congested districts since 1907-8. Up to 1912-13 the number of loans granted was 518, amounting to £8,990. Loans are not granted less than £3 or more than £35. The loans of £3 to £15 are repay-

1 See in this *Bulletin* the article on "The Congested Districts of Ireland and the work of the Congested Districts Board," by P. S. Sheridan.

able by half-yearly instalments in five years and those of £15 to £25 in ten years; the interest charged is 3 per cent. The Department obtains the fencing for the borrower and as it buys in bulk it can do so at reduced prices. It also sends a foreman to supervise the erection.

Since 1903-04 the Department has made advances for the purchase of agricultural implements. Up to 1912-13, the number of these loans was 399 and they amounted to £4,316, and there was a strong tendency for these loans to increase in number and amount. The minimum loan is for a machine or machines costing £6, but the borrower must lodge one-fourth of the cost of the machine with the Department, so that the minimum loan is £4 10s. The machine is ordered by the Department, who pay the vendor the price on receiving notice that it has been delivered to the borrower. Loans not exceeding £50 are repayable in three years; larger loans in five. Three per cent interest is charged.

The Department also makes loans for a variety of other purposes to individual farmers and association of farmers, or (as we have already seen) to co-operative credit societies. The total amount lent by the Department from its establishment up to 1912-13 was £106,776.

(d) *The Estates Commissioners.*

Compared with the gigantic operations which the Estates Commissioners are carrying on for the transfer, by the aid of State credit, of the land of Ireland from the landlord to the occupying farmer, the credit which it accords for the improvement and stocking of holdings is of secondary importance. Nevertheless from November 1st., 1903 (the date when the Land Purchase Act of 1903 came into operation) up to March 31st., 1913, a sum of £567,489 had been expended for these purposes, of which £247,266 were advances repayable as part of the tenants' purchase annuities and £320,460 were free grants not repayable.

Nearly all this expenditure was incurred by the Estates Commissioners in connection with estates purchased by them for purposes of resale. These estates require re-arrangement and improvement of existing holdings, and the division of untenanted land into new holdings. The new holdings are equipped with houses, fences, roads, etc., while the allottees who include evicted tenants whom it is desired to re-instate, migrants who have surrendered their holdings in other districts for the relief of congestion, labourers, etc., are, if necessary, provided with stock and implements. Expenditure for works of permanent improvement is, as far as it is deemed to be recoverable, having regard to the security required for the payment of the purchase annuities, included in the price of the holding improved; the remaining expenditure is treated as a grant not repayable.

Although the State advances for the purchase of land are not included within the scope of the Committee's inquiry, (1) the Report points to the regular

(1) See page 99.

parity with which the purchase annuities are paid as evidence of the creditworthiness of the Irish farmer. Thus, on July 1st., 1913, out of 215,537 tenant-purchasers from whom annuities to the total amount of £2,415,745 were collectable in the year ending March 31st., 1913, only 1,378 (or 0.6 per cent) were in arrears and the amount of the arrears was only £12,959 (0.5 per cent of the total due). Even these arrears were due in part to an undesirable practice adopted by some tenant-purchasers of obtaining the use of money for a short period at the cost of a small fine, by intentionally letting the payment of purchase annuities fall into arrear and, when a process is issued, paying the arrears without allowing the case to come into Court.

#### § 9. THE CREDIT NEEDS OF RURAL INDUSTRIES.

The scope of the Inquiry extending to rural industries as well as agriculture, the Committee obtained evidence on the need of credit facilities for such industries. They came to the conclusion that there were many rural industries of which the development was hindered by lack of capital. They consider that capital should be more readily provided by the joint stock banks than is the case at present, and suggest that the Department of Agriculture and the Congested Districts Board should obtain full information regarding particular industries and furnish it to joint stock banks, in order to assist them in making the needed advances.

#### § 10. MORTGAGE OR LONG TERM CREDIT.

One form of mortgage-credit in Ireland, the loans advanced by the Board of Works, has already been noted. The Agricultural Credit Committee made extensive inquiries into the question of mortgage-credit generally, which has special importance in view of the creation of large numbers of peasant proprietors which is taking place and the danger to which they may be exposed of over-burdening their land.

The investigation was particularly difficult on account of the absence of reliable statistics. This, in its turn, is due to the absence of a universal system of registration of title. In Ireland holdings which have been purchased by the occupier under the operation of the Land Purchase Acts are registered in the Land Registry, and all charges upon such holdings are also registered in the same office, with the anomalous exception of charges in connection with loans for land improvement advanced by the Board of Works. These charges, together with all charges on unregistered land, are registered only in the Registry of Deeds.

Although the number of registered holdings is steadily increasing owing to the operation of the Land Purchase Acts, they were in 1913 only 36



per cent of the total number of holdings in Ireland. Of the registered holdings, an average of 1.7 per cent. have charges placed upon them in each year.

The Land Registry specially prepared for the Committee full returns of the charges and releases on registered land during the months of April, May and June, 1912, and summaries of these valuable returns are contained in Appendix 14 to the Minutes of Evidence. The figures furnish a useful index to the movement of mortgage indebtedness amongst the tenant purchasers.

During the three months in question 725 separate charging transactions took place, affecting 567 separate holdings. The total amount of the charges registered was £156,760. But during the year the total number of charges registered was 3,468, considerably more than four times the number registered in April, May and June. Assuming that the individual transactions were approximately on the same scale as during the three months, the total amount of the fresh charges during the year would be over £750,000. The number of releases registered during the three months was 397, affecting 327 separate holdings and amounting to a total of £85,584. Assuming that the releases of charges during the year bore the same proportion to the releases during the three months as the fresh charges during the year bore to the fresh charges during the three months, the amount of charges on registered land released in Ireland in 1912 was over £468,000. Hence the net addition to the debt on registered land in Ireland in 1912 was approximately £ 340,000.

This calculation does not include the charges in respect of Board of Works loans; the gross amount of the fresh charges on *registered* land in connection with such loans was probably about £50,000.

In order to obtain some indication of the movement of mortgage charges on *unregistered* land, the Committee obtained from the Registry of Deeds a statement of the charges recorded on unregistered land during the months of April, May and June, 1912. This is published in Appendix 15 to the Minutes of Evidence. During this period 1,235 charging transactions were recorded upon unregistered agricultural land; in 132 of these cases the mortgagor was the landlord and in 1,103 cases the occupier (1). In 942 of the 1,235 transactions, the amount of the charge was disclosed in the deed; in 55 of these cases the mortgagor was landlord, and the total charge £55,056, while in 887 cases the mortgagor was occupier and the total charge £98,824. Assuming that the value of the charges in the cases where it was not disclosed was, on the average, the same as in the cases where it was stated, and that the three months were average months in respect of charging transactions, it is estimated that these were in 1912 about 5,000 recorded charges, amounting in all to about £1,000,000.

This calculation is slightly vitiated by the fact that the records include the charges upon *registered* land in respect of Board of Works

(1) It should be borne in mind that tenants in Ireland possess the "tenant-right" which can be mortgaged equally with the landlord's interest in the holding.

ans. A substantial addition must, however, be made to the total in order to arrive at the aggregate amount of charges placed upon unregistered agricultural land, because the registration of such charges is not compulsory, and there must have been many charges of which no information whatever was conveyed to the Registry of Deeds. Balancing these two considerations against one another, the Committee are of opinion that £1,000,000 per annum is a very conservative estimate of the present annual addition of fresh charges on unregistered land.

In regard to releases, there is no exact information, but assuming that the releases of charges on unregistered land occur in the same proportion to the fresh charges as in the case of registered land, the Committee calculates that the *net* addition to the burden on unregistered land was about £454,000 in 1912.

Combining the figures for registered with those for unregistered land, the Committee arrive at the conclusion that the approximate annual amount of the fresh charges laid on Irish agricultural land is about £1,857,000. Allowing for the estimated releases, the *net* annual increase in the mortgage indebtedness is about £854,000. These estimates they think to be rather under than over the mark; probably £1,000,000 would be a more accurate estimate of the net increase.

It would be interesting to be able to compare this figure with the total value of agricultural land in Ireland, but only rough estimates are available. The purchase price of agricultural land in Ireland was calculated by the Estates Commissioners to be almost £200,000,000, but to arrive at the total value it would be necessary to add the large sums which represent the tenant's interest in their holdings.

Under the Land Act of 1903, a tenant-purchaser is prohibited from mortgaging his land for an amount greater than 10 times the purchase-annuity, save with the consent of the Land Commission. The number of applications for permission to mortgage holdings for larger sums between November 1st, 1903 and March 31st, 1913, was only 508.

The usual rate of interest on mortgage loans in Ireland appears to be five or six per cent, but it is sometimes as low as four per cent and sometimes as high as ten per cent.

There exists in Ireland a peculiar form of mortgage known as a "judgement mortgage." A creditor, having obtained a judgement of a court of law for money due to him, may file in the court a statement of amount of debt, damages and costs, with a description of any land which the debtor may possess. This affidavit is then registered by the creditor in the Registry of Deeds in the case of unregistered land, and in the Land Registry office in the case of registered land. The effect of this registration is to vest in himself the estate of the debtor, subject to redemption in payment of the money owing on the judgement.

The Committee calculates that about 220 judgement mortgages, to the amount of £36,000, are annually obtained on registered holdings, and between 400 and 500, to the amount of £50,000 to £60,000, on unregistered holdings.

By a curious anomaly, judgement mortgages are not taken into account in the restriction on mortgaging by tenant-purchasers imposed by the Act of 1903. As a judgement mortgage is a transaction which readily lends itself to collusion between lender and borrower, it can be utilised to enable a tenant-purchaser to evade the restrictions of the Act. The Committee strongly urge that this anomaly should be removed.

Mortgage loans are not generally advanced by joint stock banks, who, indeed, show reluctance to accept mortgage security unless it is supported by collateral personal security. A large proportion of the loans on mortgage are advanced by solicitors acting on behalf of their clients. The system has a very serious drawback, in that the borrower does not know when the loan may be called in. Unscrupulous solicitors, it is said, make a practice of calling in the loans with unnecessary frequency, in order to gain the profit from the fresh charges made in connection with the new mortgage. The Committee express their "extreme surprise and regret that members of an honourable profession should be found stooping to practices of this sort."

The Committee proceed to examine the desirability of establishing some land credit institution of the type of the German "Landschaften." They point out that, for the success of such institutions, a complete system of registration of title, powers of summary procedure and strict State supervision are essential, and come to the conclusion that, on the whole, the prospect of establishing such an institution successfully in Ireland in the near future is small.

Even, however, if the foundations of an extensive scheme of mortgage credit had been successfully laid, the Committee hold that there are arguments against its introduction, as they consider that the attention of the tenant-purchasers should be concentrated rather upon making the most of their land by honest work, even with limited capital, than upon the pledging of it for the supply of funds. In their view the development and extension of the agricultural loan schemes of the Board of Works, the Department of Agriculture and the Congested Districts Board, combined with the agency of the co-operative credit societies for the shorter term loans required, should prove sufficient in the great majority of cases for those credit requirements of the Irish farmer which are not met by the joint stock banks.

## NOTICES OF SOME RECENT PUBLICATIONS RELATING TO CREDIT.

### BELGIUM

D'AVOUT (BERNARD): *Vers la petite propriété. Le crédit immobilier en Belgique et en France* (*In the Direction of Small Holdings. Credit on Real Estate in Belgium and in France*). Dijon, 1914. Darantière Press, pp. 275.

This book brings into relief, with essentially practical intention, what has been done in Belgium and in France to promote the increase of workmen's houses. As concerns Belgium, after an account of the history of the legislation on the subject, the author examines the relations of the *Caisse d'Épargne et de Retraite* with the societies for the erection of workmen's houses, giving minute explanations of the mechanism of credit on real estate and the reforms proposed. In regard to France, after an examination of the law of April 10th., 1908 and an indication of the causes of its want of success, he summarises the later laws of February 26th., 1912 and December 23rd., 1912, and shows the manner of the constitution and the working of a real estate credit society.

### ITALY

STATISTICA DEL DEBITO IPOTECARIO FRUTTIFERO ITALIANO E DELLE OPERAZIONI DEGLI ISTITUTI DI CREDITO FONDIARIO AL 31 DICEMBRE 1910. (*Statistics of Interest Paying Mortgage Debts in Italy and the Business of the Land Credit Institutes on December 31st., 1910*). Ministero delle Finanze. Direzione Generale delle Tasse sugli affari. Rome, 1914. Tipografia Cooperativa Sociale, pp. 465.

From this new Statistical Return of Mortgage Indebtedness prepared, by the General Department of Commercial Taxation, after a very strict and thorough enquiry, we learn that on December 31st., 1910, there were in course in Italy 808,670 mortgage loans paying interest, the total amount of these loans being 4,253,004,130 frs., distributed as follows in the various parts of the Kingdom: North Italy, 1,728,155,713 frs.; Central Italy, 1,374,659,053 frs.; South Italy, 575,842,358 frs.; Insular Italy, 375,247,006 frs. The land credit institutes had at that date 28,668 credits, for an amount

of 987,860,774 frs.; distributed as follows: in North Italy, 409,564,785 frs.; Central Italy, 333,998,636 frs.; South Italy, 193,375,563 frs.; and Insular Italy, 50,921,790 frs.

The mortgages are classified in numerous analytical tables, according to their amount, the rate of interest, the classes of creditors and debtors, the cause, the period and the nature of the mortgages etc. Finally, two diagrams show the amount of the mortgage debt, and the business of the land credit institutions, according to the regions, the amount of the mortgage debt and the rate of interest on December 31st., 1903 when the latest preceding statistical return was made out and on December 31st., 1910.

NICOTRA (GIOVANNI): *Le casse di risparmio e il mercato dei valori mobiliari in Italia. Note statistiche. (The Savings Banks and the Market for Securities in Italy. Statistical Notices.)* (From the « Rivista delle Società Commerciali »). Rome, 1914.

The author considers the action of the ordinary savings banks on the market for securities in Italy. This action is twofold: (a) the banks collect savings and thus prevent their investment immediately in securities, and (b) they buy and keep these securities themselves. The banks tend to invest to a continually larger extent in securities, so that more than half the national savings are continually being withdrawn from industry and commerce and invested in public securities.

## Part IV: Miscellaneous

### GREAT BRITAIN AND IRELAND.

#### THE "CONGESTED DISTRICTS" OF IRELAND AND THE WORK OF THE CONGESTED DISTRICTS BOARD.

By FRANCIS S. SHERIDAN, *Barrister-at-Law,*  
*Chief Clerk to the Congested Districts Board.*

When allusion is made to the "congested districts" of Ireland, people who do not know the districts are likely to ask "what is meant by the congested districts?" For it is not at all a title that is self-explanatory (being rather a misnomer), and it is consequently essential that the position should be made clear from the first so that the circumstances of the districts may be understood as far as it is possible to understand the condition of a locality without careful study on the spot.

The term "congested districts" was not applied because the land is thickly populated and overcrowded. On the contrary the density of population is very low, being only 89 persons per square mile as compared with 134 for all Ireland. The districts were first called "congested" by those mistaken philanthropists who recommended emigration of the inhabitants instead of development of local resources and possibilities. The name has since stuck to the districts. One ought simply to think of the congested districts as being exceptionally poor and undeveloped. The technical and legal definition will be alluded to later on.

#### § I. THE ORIGIN OF THE CONGESTED DISTRICTS.

It is impossible to give a faithful description without going a little into history. Certain essential facts as they exist need to be traced to their source in order that a just estimate be formed of the reasons why the people

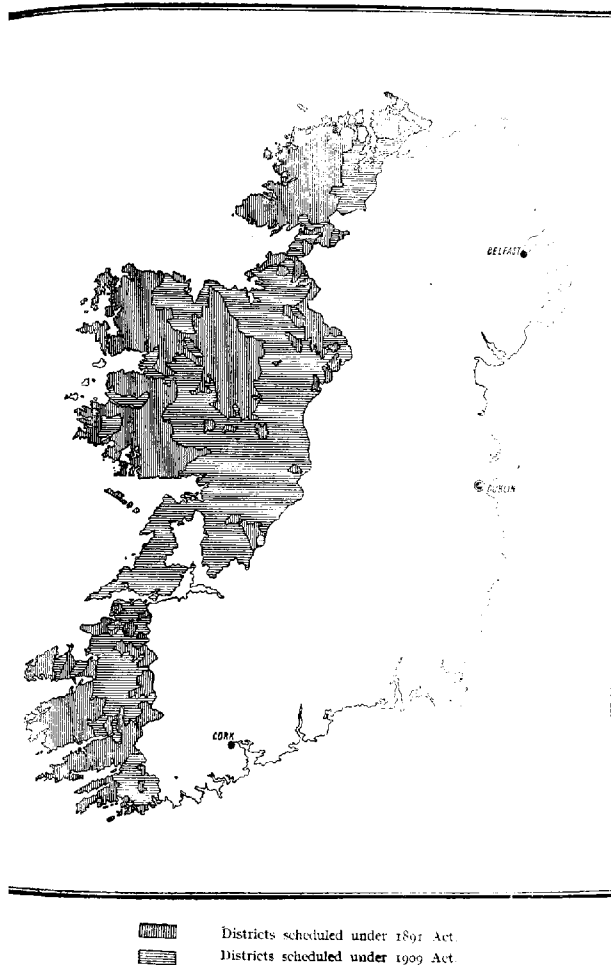
of the congested districts are so poor, and also why progress cannot be rapid owing to defective education and to a consequent want of initiative. In considering the ameliorative work of the Congested Districts Board, particularly in relation to the purchase and resale of land, it must be remembered that the Board is not dealing merely with the natural circumstances of a backward people in an out-of-the-way part of Ireland, but rather with unnatural conditions created many generations ago and allowed to continue until our own time without any remedial efforts.

The accompanying map of Ireland will illustrate the portion of the country committed to the charge of the Congested Districts Board, and subsequent statistics will show the relative position of the congested districts to the rest of Ireland.

During the period from Philip and Mary to Cromwell—particularly in the time of the last-mentioned—re-arrangements of the confiscated lands of Ireland were made to reward the adventurers in the various campaigns against the Irish, and clearances of the "fat lands" were carried out to make way for the "planters" to whom grants of these desirable lands were given—the "innocent" Irish ploughmen and labourers being permitted to remain in the neighbouring "lean lands" to till for the newly endowed proprietors.

Under the Settlement Act of Cromwell's Parliament in September 1653, the owners of selected lands and their retainers in Ulster, Leinster, and Munster, who had not maintained a "constant good affection" to the Parliament were ordered under penalty of death to leave their homes before the 1st. May, 1654, with their families, cattle and belongings, and to proceed to occupy lands of little or no value to be allocated to them across the Shannon in Connacht, where they had to wait and "negotiate" for new lands. These proscribed Catholic people included the best blood of the country—Irish nobility and gentry and also the descendants of the old English-Norman settlers who had stood by the King in his war with the Parliament.

To ensure that the migrated persons would not disturb the new occupiers in possession of their old estates, a belt of country four miles wide (afterwards reduced to one mile and known as "the mile line") was drawn right around Connacht including the sea-shore, and the lands in the belt were given only to Cromwellians who could be relied upon, like herds, to keep the migrants within the boundary. Thus the new inhabitants of Connacht and the few old ones who had survived the previous war were cooped within the confines of the Western Province and could not get out by land or sea, for they were forbidden to leave it. Subject to certain modifications as to succession during the operation of the succeeding Penal Laws, which need not be gone into here, the land in Connacht had by order of the Government to be divided at death equally between all the sons of the new settlers there. As the years rolled on, therefore, the tendency was to make all the inhabitants (landlords and tenants alike) poorer by continual sub-division, and as there were no industries or emigration—agriculture being virtually the only occupation—the position of the tillers of the soil as well as the owners became gradually weakened.

*Map of Ireland, showing the Districts Scheduled as Congested.*



Somewhat similar stories might be told of the clearances in Ulster and Munster in the reigns of James I and Elizabeth and the driving West of the Irish people to make way for the Government nominees to whom the confiscated lands were assigned, and in this way was laid the foundation of the congested districts as we now know them. In a word, therefore, the problem set to the Congested Districts Board may be said to lie in undoing the evolutionary results of the work of Elizabeth, James I, and Cromwell. But no Government at the present time could propose to exercise the same summary powers that Cromwell possessed, and thus make as rapid progress in their operations as he did in his time. Moreover he dealt with proprietors of lands who took their families and retainers with them *en bloc* whereas the Board are dealing with landlords and tenants individually -- having consequently to face a much more difficult and detailed task -- and do it in a complicated legal way.

After the Cromwellian "settlement," things were undecided for a time, for the migrants to Connacht naturally hoped, on the restoration of Charles II to get back to their old estates. But the "planters" were influential in England, whereas the dispossessed Irish were not, and on the whole the recent grantees were confirmed in their lands purely as a matter of expediency. In a couple of generations the new Connacht families had become rooted in the soil, and although an attempt was made to do justice to them in the reign of James II, it fell through on his abdication.

As time went on a cleavage developed between the landlords and their tenants in Connacht, which was accentuated through the operation of the Penal Laws. The Government facilitated the landlords in affording special and stringent legislation for the recovery of whatever rents were demanded, and the tenants in the West became impoverished upon their infertile lands through increase of population and continual sub-division. The tenants suffered hardships from landlords and their agents who by demanding increases of rent killed any motive for effecting improvements in farms. In the time of the Georges it became usual for landlords to live away from their estates and this tendency was accentuated by the Act of Union. The estates were left to be managed by agents who were obliged by their employers to make rents rise with their increased expenditure away from home.

The increase in the population of Connacht after the Williamite war at the end of the 17th. Century (by which time the cordon round Connacht had become somewhat relaxed) was, however, slightly retarded by the smuggled emigration of young men to fill the gaps in the Irish Brigade serving on the Continent. After this was disbanded at the close of the French Revolution and prior to the advent of steamships and railways there was no thinning of the ever-increasing population (except by famine, disease, and Government penal transportation) and thus the poor Connacht peasantry increased and multiplied beyond the capacity of the land to support them in any degree of comfort. Still they struggled on as long as they could make ends meet, for farming was remunerative in the early years of the 19th. century owing to the demand and high prices for Irish

food-stuffs during the Napoleonic wars. But afterwards the people of the West were barely able to exist, the potato being their staple food. The population of Ireland increased from just over four millions in 1792 to about 8  $\frac{1}{2}$  millions during the ensuing half-century, and naturally the West with its "long weak families" suffered the strain most.

Various partial famines recurred, culminating in the Great Famine of 1845-8 when the potato failed. The population of the country was reduced and the West was left broken and helpless. Wholesale emigration was then resorted to by the Government and by philanthropists to relieve hunger and suffering. The adult strong departed leaving the very old and very young peasants to continue the struggle, most of the young remaining only until those who had emigrated were able to send home the passage money to help them in turn to seek a better livelihood across the seas than they could get at home. Rents increased while prices for corn and cattle dropped below the standard of the previous war-time. The absolutely destitute were compelled to enter the workhouses erected under the Poor Law System introduced into the country a short time before (1838) and thus were the congested districts brought into the condition in which they were found by Mr. Arthur Balfour when in 1890 he as Chief Secretary for Ireland visited the West to see for himself how matters stood, and to investigate on the spot the causes of the Land War which had been raging for several years.

Up to 1869 other causes besides poverty contributed to the discontent of the people. Tithes or tithe-rent charges had to be paid for the upkeep of the Established Church, in which the vast majority of the people did not worship, and relief was only obtained by the Church Disestablishment Act of 1869. From that on, however, the main cause of trouble was the inability of the land-holders to pay their rents, and wholesale evictions followed. But a whole country cannot be evicted, and the Government faced the problem by the establishment of the Land Commission in 1881 to fix "fair rents," to compel landlords to cease from making arbitrary increases in rents and to restrict the power of landlords to evict (1).

Owing to legal difficulties in carrying out the spirit of the "fair rent" idea in the Land Laws, several amending Acts were passed, but it was soon apparent that these Land Laws were at best only palliative, and that the land of Ireland — and particularly the West of Ireland — under modern conditions of life was unable to support both landlords and tenants: one class had to go. The Government therefore decided in 1885 as a matter of policy to adopt a larger scheme of Land Purchase — a system which had been already adopted in a small way under the Acts of 1860, 1870, and 1881.

(1) See the article on "The Fair Rent Provisions of the Irish Land Acts," by P. Macmillan, in the *Bulletin of Economic and Social Intelligence* of January 1914.

It is not germane to this necessarily short paper regarding the congested districts to examine very closely the several Land Purchase Acts (1) and the various financial and other schemes involved in the work of carrying out the bloodless revolution of transferring the land of Ireland from the *dual* ownership of landlord and tenant to the *single* ownership of tenant-purchaser, but it may be mentioned that the Act of 1885, associated with the name of a distinguished Irishman, the late Lord Ashbourne, was financed in cash, while the Acts of 1891 and 1896 were financed in land stock. The Act of 1903 was again a cash transaction, while the Act of 1909 was mainly a reversion to payments in stock. There is no doubt that *cash* is the most satisfactory method of procedure if practically, but the difficulty was and is to raise it in such amounts and at such short notice as the purchase scheme of Ireland demands. Hence the Government have had to resort to stock finance with its disadvantages. It may here be stated that in the whole scheme of land purchase, Ireland has only the use of the credit of the United Kingdom of Great Britain and Ireland, for every shilling advanced under the scheme is to be repaid with interest by the purchasing tenants. And so far the British Exchequer has been nothing in bad debts, while it is an interesting fact that in the congested districts -- the poorest section of Ireland -- there have not been any losses by failure to meet the Land Commission annuities.

## § 2. THE ESTABLISHMENT OF THE CONGESTED DISTRICTS BOARD.

When Mr. Balfour had completed his tour of the West and noted the condition of the people, he had in mind the districts that needed the special help it was proposed to give in order to lift them out of the squalid misery to which they had been condemned by the force of circumstances over which they had little or no control. In describing his experiences in a speech at Liverpool on the 19th. November, 1890, Mr. Balfour said: "The general impression left upon a casual traveller is that you are dealing with a population not congested in the sense of being crowded, but congested by not being able to draw from their holdings a safe and sufficient livelihood for themselves and their children, whose condition trembles constantly on the verge of want, and when the potato crop fails, goes over that margin and becomes one of extreme and even dangerous destitution."

These were the people and the districts he wished the Government to help, feeling that in the light of history they had an equitable claim on special consideration by Great Britain, but the difficulty was to segregate the districts without arbitrarily selecting them. After considering several

(1) For articles relating to these Acts see the *Bulletin of Social and Economic Intelligence* of January, 1912, and June 1913.

ans he decided upon the ratio of population to valuation as the test of congestion to be adopted, and accordingly in the Land Act of 1891 establishing the Congested Districts Board it is defined that: "Where at the commencement of this Act more than twenty per cent of the population of a County, or in the case of the County Cork of either Riding thereof, or in Electoral Divisions of which the total ratable value, when divided by the number of the population, gives a sum of less than one pound and six shillings for each individual, those Divisions... shall form a separate County (in this Act referred to as a Congested Districts County)."

This definition brought in areas sparsely populated as well as congested ones with dense population, but the test failed to include several ratable areas for treatment.

Thus were established the congested districts as scheduled in 1891. The annual income placed at the disposal of the Board at first was £41,250, bearing interest at 2½ per cent. on £1,500,000 of the Church Surplus Fund consequent on the Disestablishment of the Irish Church. It may be noted that this Endowment was made from a purely Irish fund. In addition about £6,000 a year was provided from Parliamentary funds for the Administrative Staff. The administration of two small Loan Funds was also handed over to the Board — the Irish Reproductive Loan Fund, and the Sea and Coast Fishery Fund, amounting to about £66,000 and £18,000 respectively for cash, securities, and outstanding loans.

In the early years the Board's operations were regarded as being only experimental, for if the efforts failed in their objects the income was considered enough to risk, whereas if Parliament approved of what was done, more funds would be forthcoming. As it turned out, the Board's utility was very generally admitted and accordingly a new grant of £25,000 (gross) a year was made by Parliament in 1899 but on conditions that reduced it to about £15,000 (nett). A further increase of £20,000 per annum was made under the Purchase Act of 1903 out of the Ireland Development Grant; and as a result of the finding of the Dudley Royal Commission of 1906 the Board was reconstructed and made a corporate body in 1909 and the income was increased to £250,000 a year less £19,000 a year paid to the Department of Agriculture, as will be explained later on.

The Board now consists of 14 members, of whom three are *ex-officio* — the Chief Secretary, the Under Secretary, and the Vice-President of the Department of Agriculture and Technical Instruction. Nine are nominated and honorary members, and the remaining two are permanent members in receipt of a salary in respect of the duties discharged by them under the Congested Districts Acts. Under the Act of 1909 the extent of the area of the congested districts has been greatly increased from that scheduled by the Act of 1891, as shown on the map. The following Table gives some of the comparative conditions of the original scheduled area, of the recently added portions, and of the remainder of the land:

TABLE I. — *Area and Population of the Congested Districts.*

	Original Congested Districts (1891)	Congested Districts added in 1909 (including Towns)	Total Congested Districts in 1911	Rest of Ireland (including Cities and Towns)	Approximate Ratable Valuation proper, Congested Districts ex- cept of those
Area (in acres) . . . .	3,608,569	4,053,910	7,662,479	13,192,243	1 to 2
Population in 1911 . . .	466,372	591,486	1,060,858	3,329,361	1 to 3
Ratable Valuation 1911 .	£591,168	£1,787,242	£2,378,410	£13,235,603	1 to 4

It will be noticed that the Act of 1909 more than doubled the original area and population of the congested districts and that the present area is more than one-third of Ireland while the population is about one-fourth. The ratable valuation is, however, only about one-sixth of all Ireland thus indicating the relative poverty of the Board's districts. They are also mainly rural, the population of the towns only amounting to 85,391 out of the 1,060,858. There are only three towns in the congested district with a population over 10,000, namely: Galway 13,255; Sligo 11,163; and Tralee 10,300. This shows the absence of industries other than agriculture and fishing. At present the Board's resources are mainly devoted to operations under the land purchase and resale enactments.

Before dealing in detail with the efforts of the Board in reviving rural activities, it should be stated that the first step taken by the Board in 1891 was to institute a comprehensive survey of the economic condition of the scheduled districts — to form a base line from which progress could afterwards be measured, as well as to indicate the course of action which might be best suited for the different circumstances of the various districts, for the special characteristics of the localities have to be borne in mind in framing schemes of improvement. For example, the development of fisheries was obviously the work to be undertaken in one district, the improvement of agriculture in another, while in a third the undertaking of engineering work was necessary for opening up a backward locality and the assisting of steamer services was found to supply a necessary link in the chain of communication between isolated places and ports of distribution.

In starting operation the Board adopted the principle of "helping the people to help themselves." No mere charity or eleemosynary aid was given, and the establishment of "relief works" to alleviate temporary or exceptional distress, though frequently urged, was always refused. It was fully realised that such temporising expedients were only demoralising in their effect, and they formed no part of the programme of regeneration adopted by the Board. No project that was not considered likely to be reproductive directly or indirectly was supported. The Board's effort was to raise the mode of life from the submerged condition to which it

ad been reduced to that of a virile, progressive, self-supporting and self-respecting community.

The duties undertaken by the Board were divided mainly into sections pertaining to the purchase and resale of land; agriculture; fisheries; industries; works and miscellaneous undertakings. These again had to be subdivided as the exigencies of circumstances demanded, and taking the main divisions seriatim the following summary of the work accomplished will indicate the Board's objects and procedure.

### 3. LAND PURCHASE AND RESALE BY THE CONGESTED DISTRICTS BOARD

In treating of the *land itself* as distinguished from the use that can be made of it, it should be mentioned that although the general powers given by the Act of 1891 to the Board at its inception were wide, and although the Act indicates the enlargement of holdings on the estates of private owners as one of the objects of its attention, the *purchase* of estates was not expressly authorised, and the Board could hold land only in the name of the Land Commission. The provisions of the Act of 1891 for amalgamation of small holdings *on private estates* was found to be inoperative, so in 1893 an Act was passed giving the Board power to acquire land for enlargement of holdings and to hold it by means of trustees.

In 1894 another Act was passed to enable the Board when selling an estate to give a guarantee to the Land Commission for the regular payment of instalments by the purchasing tenants. Thus no guarantee deposit could be retained by the Land Commission out of the purchase money. The Act also incorporated with the Congested Districts Board Acts the provisions of the Land Clauses Acts so far as they relate to the taking of land by agreement.

In 1896 the Land Law Act gave power to the Land Commission to make advances to enable the Board to buy estates. The advances were to be made in Guaranteed Land Stock, subject to an annuity of 4 per cent consisting of  $2\frac{3}{4}$  per cent interest and  $1\frac{1}{4}$  per cent sinking fund). This Act put a difficult restriction on the Board as regards re-sale of their lands, for it provided that the Land Commission should not make an advance to a tenant to buy a holding unless the ratable valuation was over £10. Most of the holdings in the congested districts were "small holdings" (i.e., under £10 valuation) and the Board could not then obtain sufficient tenant land to bring all their tenants' holdings up to £10 valuation, owing, among other things, to the operation of Section 40, which gave temporary tenants a priority in buying their holdings in the Land Judge's court, thus preventing such lands from coming into the possession of the Board who would have used them for the enlargement of small holdings. The Board could not, therefore, expect to be in a position to re-sell much land through the Land Commission and of course the disqualified tenants could not cash to buy direct from the Board. The disability was removed

by the Act of 1899 which suspended the operation of Section 40 on the Board making an offer to purchase an estate in the Land Judges' Court, thus preventing a "Court tenant" purchasing grass lands until the Board's offer for purchase of the estate had been considered. The Act also enabled the Land Commission to make advances for redemption of the head rents affecting estates purchased by the Board. This had formerly to be done by cash out of the Board's slender income. The Act also removed the barrier as to sale of "small holdings," and increased the Board's income by about £15,000.

The next Act passed for the Board was the Act of 1901 which gave them power to deal with a tenant who obstructed the re-arrangement of holdings on estates purchased. The Act further empowered the Board to enter on non-judicial holdings to make arrangements as to turbary, etc.,—a fruitful source of trouble in the West of Ireland. The Purchase of Land Act (No. 2) of 1901 deals with the annuity payable on a holding to which lands had been added—treating as *one* holding the old portion and the enlargement.

The most important of the Land Purchase Acts so far was that of 1903 which reverted to cash advances instead of land stock, gave vendors a *bonus* of 12 per cent on the purchase-money of estates sold, to facilitate negotiations for sale of *estates*, as distinguished from *holdings* (the system heretofore in operation) and enabled a vendor when selling his estate to obtain an advance to repurchase his demesne as if he were a tenant. The Act further placed a limit on advances for purchase of Court lettings in the Land Judge's Court, increased the maximum limit for county advances, reduced the annuity payable by tenant purchasers to  $3\frac{1}{4}$  per cent. (interest as before at  $2\frac{3}{4}$  per cent., but sinking fund at  $\frac{1}{2}$  per cent) for 68  $\frac{1}{2}$  years at a uniform rate instead of 4 per cent as formerly with decadal reductions, enabled the Board to settle accounts with the Land Commission after sale of each estate instead of by county groups as formerly, facilitated re-sale to tenants, and added £20,000 to the Board's income. This Act was most successful in causing numerous landlords to agree to enter into negotiations for the sale of their estates, but unfortunately it did not sufficiently secure priority of attention to the claims of the congested districts. The new annuity of  $3\frac{1}{4}$  per cent had some years before in the case of Clare Island been devised by the Board, who saw the advantage of reducing the sinking fund rate to  $\frac{1}{2}$  per cent and enabled sales to be arranged at a  $3\frac{1}{4}$  per cent annuity that could not have been brought about on the old 4 per cent basis.

The Land Act of 1904 sanctioned the payment of the bonus to landlords who were tenants-for-life for their own use and benefit, freed from any trust or other claim. This had the effect of stimulating sales of estates which had been retarded by tenants-for-life.

Owing to the success of the 1903 Act outside the congested districts delay occurred in paying landlords their purchase-money and the Treasury would not continue to make prompt cash advances for financing sales as fast as they were arranged.

The Act of 1909 accordingly re-introduced payments in Land Stock at  $3\frac{1}{2}$  per cent. (interest 3 per cent. and sinking fund  $\frac{1}{2}$  per cent.) in

re-constituted and increased both the powers and income of the Board as a result of the Inquiry held from 1906 to 1908 by the Dudley Royal Commission on Congestion. The Board's income was raised to £250,000 a year, of which £19,000 is paid to the Department of Agriculture and Technical Instruction for Ireland to meet expenditure in connection with the powers and duties transferred to the Department from the Board under Section 47—viz.:

- (a) the provision of seed potatoes and seed oats;
- (b) agricultural instruction or practical husbandry; and
- (c) aiding and developing of forestry, or the breeding of live-stock or poultry.

The 1909 Act created a scheme for advances for purchase either in land stock, or cash, or partly in each, the intention being to settle priority and facilitate the completion of sales where cash to pay off the vendors would not be provided by the Treasury for several years to come, under the terms of the Act 1903. The fixed 12 per cent. bonus was altered to one on a sliding scale varying up to 18 per cent. and details were revised as to limits for advances, as to turbary, etc.

It will convey some idea of the magnitude of the Board's operations in connection with the purchase, re-arrangement and re-sale of lands to give the following summaries up to the 31st. March, 1914:

TABLE II. — *Estates purchased or offered for sale between 1891 and 31st March, 1914.*

Period	No. of Tenants	Area acres	Estimated Purchase price £.
(a) Purchased under Acts prior to 1909 . . . . .	15,727	197,484	2,260,551
(b) Purchased under Act of 1909 . . . . .	29,737	1,178,698	3,983,329
(c) Offered for sale since 1909 but not yet purchased . . . . .	22,800	904,975	3,820,325
Totals . . . . .	68,264	2,581,157	10,064,205

TABLE III. — *Estates re-sold by the Board up to 31st. March., 1914.*

Period	No. of Tenants	Area	Resale prices £.
Prior to Act of 1909 . . . . .	9,371	246,394	1,167,846
Since Act of 1909 . . . . .	3,497	93,758	571,301
Totals . . . . .	12,868	340,152	1,739,147



Since the Act of 1909 the greater number of the Board's Estates Staff have been engaged upon operations and arrangements in connection with *purchase* of Estates which were offered for sale and for which it was considered desirable to settle terms of purchase without delay. As the negotiations for purchase are now drawing to a close in the majority of cases of estates offered, it is being arranged that more rapid progress shall be made henceforth in carrying out improvements and re-distributing lands for *re-sale* to tenant purchasers.

#### § 4. REDISTRIBUTION OF HOLDINGS.

So much for the Board's operations in the handling of the land itself and aiding in the transfer from the dual to the single ownership in a way which will, as far as it is possible, allow the new peasant-proprietors to make a living out of their land. But the Board are fully aware that many of the purchasers cannot live on the produce of the land alone, because there is not enough land in Connacht for enlarging holdings so as to give every tenant-purchaser a holding out of which alone he can support his family. The improvement of house accommodation and the provision of out-houses for live stock by means of a scheme of free grants and loans to tenants will be some of the most important results of the Board's work.

Therefore the Board have to exercise a discretion in the allotment of land — a task that is made easier by a prohibition in the Act of 1909 against giving land to *landless men*, the only classes to which the Board can give holdings being tenants, tenant-purchasers and herdsmen.

Before referring to the Board's efforts to develop husbandry and the conditions of life on the land, it may be pointed out that in the West the people have for generations in several hundreds of cases been unable to live on the patches of poor land they held — rarely in one compact lot, but divided and sub-divided among families from time to time at rents varying from a few shillings to a few pounds. With these holdings there are usually rights to cut turf for fuel and sometimes for sale, while on the sea-board there are rights to cut sea-weed for manure as well as to burn for kelp manufacture, and there is also frequently some grazing or commonage appurtenant. On the sea-board, too, the resources are augmented by fishing and by the cheap carriage of foodstuffs, etc., while there and elsewhere there are weaving, knitting, lace-making, and such home industries to help the family in making a living. Other subsidiary sources of income, varying according to localities, are the English and Scotch harvesting operations and gifts from relatives abroad. A substantial addition to the comfort of the "congested" for the past few years is the Old Age Pensions, of which the West gets a large proportion owing to the poverty and longevity of the people. Referring to the British harvesting and other work the receipts may average about £10 per man profit at the end of the season.

To return to the Land Purchase procedure, the several Acts enable the Board by advances from the Land Commission to buy out the landlords, and the Board then devote a part of their income to various improvements on the estates, the work being done under the supervision of Inspectors by the tenants and their families. When the estates are ready for sale they are sold to the tenants at prices which recoup the Board for about half of the money spent on improvements. It is estimated that the irrecoverable expenditure in estate improvements will amount to about £100,000 per annum. Sales to tenants are made through the Land Commission and the Board's advances for purchase are cancelled by the advances (loans) made to tenant-purchasers. Thus the Board are intermediaries or agents in bringing about the purchase, improvement, and transfer of estates from landlords to small tenant-purchasers, the land and the social and economic condition of the people being improved while the estates are in the Board's hands. Of course the Board have to buy relatively good estates in certain localities in order to have untenanted lands to enlarge small holdings in the neighbouring district; but when holdings are comparatively well-circumstanced there is no need for the Board to intervene and the owners may, and in some cases do, sell *direct* to the tenants through the Estate Commissioners without reference to the Board.

The fact of holdings being small in size is not the only drawback in settlement, for sometimes holdings by the repeated splitting up among families become under the "rundale system" exceedingly complicated and involved. A patch of a few acres in area might be made up in some cases of as many as 30 to 40 detached plots without any sufficient boundaries, being only marked by stones or a strip of grass — some plots being as far away as 3 miles from the tenant's house. It is obvious that any attempt at a proper system of agriculture is exceedingly difficult, if not impossible under such circumstances. In dealing with these cases the Board has to value all interests and re-divide the entire estate into new compact holdings as far as practicable. It may be remarked that under the Land Purchase Acts while lands are subject to the control of the Land Commission sub-division is illegal.

A matter of prime importance in the redistribution of land among small landholders unaccustomed to manage good farms is that if, after purchasing, they were left to work out their own economic salvation on enlarged holdings without any guiding influence or advice as to the management of their farms under their new circumstances, the increase of land merely would only half-equip the new tenant purchasers. But the Board make loans to tenant-purchasers for purchase of live-stock, for improvements in dwellings, etc. (loans to over £10,000 for house improvements have been made); and by arrangements between the Board and the Department of Agriculture and Technical Instruction, the Department is arranging to supply agricultural instruction for the owners of the new holdings. This co-ordination of the two Departments appears to be well calculated to make the most of the operations of the Land Purchase Acts, and to render the practice

of agriculture in the congested districts as skilful and profitable as it is practicable to make it.

### § 5. IMPROVEMENT OF HOUSING.

The housing conditions of the people have always received special consideration owing to the importance of the subject in the work of the generation.

Until the inhabitants of the Western districts are provided with clean and healthy homes, with proper out-offices for the live-stock, instead of their present insanitary dwellings, no substantial improvement could be expected in the general tone of life.

The following figures will show the work done by the Board and their tenants and the amount of money spent on housing :

TABLE IV. — *Money spent on housing improvement.*

Number of new houses erected by the Board on their estates . . . . .	1,956
Number of new houses erected by Board's Tenants with assistance from the Board . . . . .	1,523
Number of houses improved by tenants with aid from the Board . . . . .	2,880
Total amount spent by the Board in grants and advances to tenants for new houses or improvements in existing ones on Board's Estates . . . . .	£427,112

Nor are the Board's efforts to improve housing conditions in the congested districts confined to the estates which pass through their hands. They have devised a plan for "helping the people to help themselves" under what is known as the *Parish Committee Scheme*. In this the Board set apart out of their income a lump sum and apportion it for the benefit of the parishes in their area, the annual expenditure on the scheme at present being £20,000. A local Committee, comprising clergy, doctors, and district councillors and six elected persons, is formed to administer the grant given to the parish under regulations prepared by the Board. This Committee selects from among the applicants for aid a number of the poorest landholders below £7 ratable valuation and votes grants for approved works — usually the building of new or improvement of old dwellings, the addition of a room to a house, the building of out-offices, etc.

In making selection of recipients for grants, the Parish Committee are instructed to adopt the cases where the people are most in need of aid and make the best offers by their own work to carry out improvements — the more the tenant binds himself to do the better chance he has of obtaining a grant. Under the rules no one can get assistance who does not offer to turn out a job worth in capital value at least 3 or 4 times the amount

of the grant, and the competition for grants may bring out work worth from 5 to 10 times the value of the sum voted. Thus the spirit of self-help is fostered and the best efforts of the people drawn out to improve their housing.

Roughly the advances made are intended to barely cover the out-of-pocket expenses for purchase of materials or wages of skilled labour (masons and carpenters, etc.) all the rest of the work being done by the family of the grantee. Many a poor landholder would in days gone by with or without the aid of a mason or carpenter be anxious to put up an outhouse if he could purchase the timber or roofing materials, but the work remained undone and he continued in miserable surroundings for want of the ready cash to start the work and owing to a fear that he would be charged more rent on account of the improvement of his holding. For it must be remembered that the custom in Ireland (differing from the English system) is for the landlord to merely let the soil and the tenant has to do everything in fitting up buildings, fences, etc. The Board's Parish Committee in this way supplies the necessary motive power to stimulate improvements in social and material well-being.

The following is a summary of the work of the Parish Committees. It should be noted that these grants are made apart from the Board's estate-improvement schemes.

TABLE V. — *Grants under the Parish Committee Scheme for Housing Improvement.*

	Number	Amount of Grants paid to Recipients	Estimated value of the work done for the sum paid as im- provement previous column
		£	£
New dwellings erected . . . . .	1,116	5,590	40,996
Improvements to existing houses . . . . .	27,151 *	36,585	152,101
Total . . . . .	28,267	42,175	193,097

(\*) Under the scheme several grants may be made from year to year towards gradual improvements to the same house or out-offices.

The Board have also a scheme for granting loans to *tenant-purchasers* of holdings not exceeding £ 7 ratable valuation who desire to undertake the erection or improvement of houses after they have purchased their holdings, either through the Estates Commissioners or through the Board. It was found that in many cases tenants who were not properly housed

at the time they bought their holdings were afterwards anxious to come into line with their neighbours who had improved their dwellings under one or other of the Board's schemes, thus showing the stimulating effect of seeing the houses around them improved. The Board, therefore, in order to meet the desire of these people decided to lend them money on solvent security. The scheme has only been in operation a short time, but so far the following cases have been dealt with:

TABLE VI. — *Loans to Tenant-Purchasers for Housing Improvement.*

	No. of Loans	Amount lent
New Dwellings erected. . . . .	245	£7,852
Improvement to existing dwelling. . . . .	156	£3,133
Totals . . . . .	401	£10,985

It is thus seen how the effect of a healthy rivalry creates or increases a desire of the people to improve their dwellings and surroundings. People who remember the condition of the houses and farms of the West about 20 years ago and compare it with that of to-day testify to the wonderful improvement they see in the appearance of the whole face of the country. As proving the extent to which the general impression of the observer is borne out by a house-to-house survey, attention is drawn to the Returns of the Census Commissioners regarding Housing for 1891 and 1911 which when compared show that in the rural districts of the Counties Donegal and Kerry, and of Connacht there is an *increase* of 21.5 per cent in the number of first class houses while there is a *decrease* of over 5 per cent. in the 2nd. and 3rd. class, and a *decrease* of 78.4 per cent. in the number of fourth (or worst) class of houses! This last figure is very remarkable and points to a marvellous improvement in the home surroundings of the congested districts which cannot fail to have an up-lifting effect on the habits as well as physical condition and social well-being of the people. It shows what can be, and has been, done by the Board, local bodies, and the people working together to improve housing accommodation; and when people are decently housed improvements in other respects inevitably follow.

#### § 6. IMPROVEMENTS IN AGRICULTURE, LIVE-STOCK ETC.

Apart from the Board's dealings in *the land itself* in the earlier years of their work, they gave (having regard to their small income) earnest attention to the advantages accruing from improvement in the breeding of horses, donkeys, cattle, sheep, pigs, and poultry, in bee-keeping, and also in giving practical instruction with the object of improving the

methods of cultivation in the congested districts. Itinerant instructors were appointed, example plots were cultivated, and example holdings fully worked, all operations being clearly explained for the information of the neighbouring farmers. When the Local Government Act was passed in 1898 and the Department of Agriculture and Technical Instruction established in 1899, it was found that there would be over-lapping if the Board and the Department were to continue working in the same localities. The Board could not legally operate *outside* the congested districts, the Department could not legally expend their funds *inside* the congested districts, and the new County Councils could not levy rates for County Agricultural Committees to spend on agricultural schemes except over entire county areas comprising both congested and non-congested areas. Accordingly a working arrangement was made by which the entire work of agricultural development in the congested districts was taken over in 1904 by the Department of Agriculture, the Board paying a fixed sum to defray the cost of the work undertaken in the congested districts. This subsidy was reconsidered when the congested districts were enlarged in 1909, and it was fixed for a term of years of years at £19,000 per annum under the Land Act of 1909, when the work was by Section 47 formally transferred to the Department, as already explained.

The Board's efforts for agricultural improvement were necessarily small as compared with the systematic and comprehensive schemes instituted by the Department with their larger funds and their staff of highly trained agriculturists. Every year benefits are being conferred upon farmers, among which may be specially mentioned the provision of veterinary surgeons and the establishment of veterinary dispensaries in parts of the country where such advantages had not existed.

In a short paper like this the details cannot be stated of all the Board's live-stock schemes, one of the most interesting phases of their work. Besides, the transfer of these duties to the Department of Agriculture would more properly place a record of the results obtained within the scope of a report on the Department's activities. The Board took steps to improve the breed of live-stock by importing hardy strains, and improved poultry, both for table and laying, by crossing the home-breeds and exchanging eggs, to avoid the evils of in-breeding. Bee-keeping was given special attention owing to its peculiar suitability as a cottage industry, and the capital required is so very little while a very high percentage of profit is obtainable. It has been estimated that one hive may in a good year produce as much profit as a pig.

#### § 7. THE FISHING AND ALLIED INDUSTRIES.

In order to be in a position to decide upon plans for improving the condition of the residents of the congested districts littoral, the Board first examined the condition of affairs along the whole western sea-board from

Donegal to Cork, and they found that while in the counties south of the Shannon the fisheries were in a fair state of development, so far as markets and transit facilities were concerned, allowing for the difficulties in landing fish, in Connacht and Donegal the transit and market arrangements were defective, as well as the landing accommodation. Along the whole coast there was a dearth of capital to provide boats and gear to properly work the fisheries, and except in a few places there were no fleets of decked fishing boats such as were worked regularly in Irish waters by French, Dutch, Manx, and British fishermen. This survey enabled the Board to deal with local suggestions and applications for aid of various kinds.

As regards suitability for the Coasts where there are no natural harbours capable of accommodating large boats, it may be mentioned that open boats that can be hauled up on a beach are more suitable for the local fishermen (who are usually also small farmers) than either yachts or large boats requiring shelter, because the crews can carry the light boats to safety, whereas heavy boats would have to take their chance lying at anchor. In stormy weather — and the West Coast is open to all the force of the Atlantic gales — the anchored boats are sometimes driven ashore and smashed while open boats and the “curraghs” (or small canvas-covered canoes) are deposited high and dry. Hence these canoes, though they may look primitive, are found to better suit the requirements of the fishermen-farmers than large boats. These men have little capital and do not fish all the year round. It would not pay them to invest capital in large boats, even if they had it, for unless fishermen who go in for such boats continue at it all the year round, and make it their sole occupation, they cannot make fishing pay a proper dividend on their outlay. The canoes cost very little, and therefore suit the class of men who use them when fishing seasons and weather warrant. But they often pay in results as high remuneration for work done as if the men were engaged during the same time as “hands” on board a big fishing boat. They will for this reason continue to be used, even though there has been a revolution of late years in the working of large boats.

With the object of encouraging fishing, the Board in many instances met local demands by erecting piers, slips, and quays to provide means of landing fish and giving boats reasonable safety.

In considering the fishing industry, a broad line is drawn between “freshing,” or the marketing of fresh fish, and the curing or preservation of fish for export as well as home trade. “Freshing” can only be carried on where there are regular and quick means of transit, chiefly to the English markets, the principal sources of consumption. This trade involves much preparation — fish boxes, ice, ice-hulk, etc. — and in their operations the Board provided all necessary plant and started fresh-fish centres, notably for spring-mackerel fishing at Aran Islands (Galway Bay), and some mainland centres in Galway and Mayo, the fish being despatched over the Midland Great Western Railway system to Dublin and thence to England. The Board’s object was not to become fish merchants themselves but to afford an object-lesson in starting the

industry, to demonstrate that it could be made to pay. Having done this, the Board retired, and now there are fish-merchants carrying on the trade on commercial lines. To aid the industry, the Board subsidised a few steamer services from outlying places to the railway.

In the cured-fish trade on the other hand much capital has to be sunk in providing the necessary curing-sheds, stores, salt, barrels, hiring of coopers and curers, etc. Having done this at several centres where curing was previously unknown or forgotten, the Board leased or sold their stations and left the development of the industry to the enterprise of commercial fish-curiers. The result has been most encouraging, particularly in County Donegal where the headquarters of the Board's herring-trade is located. At Downings Bay in a few years they converted a poor locality where a cured fish trade was unknown into one of the busiest of herring-centres, and fleets of over 200 Scotch and Irish boats have made the place a hive of industry, giving employment to great numbers of men and women. And considerable employment is also given in carting the fish. The herrings taken off the Donegal coast and cured at Downings at first won the highest place in the world's markets and were specially sought for at the leading foreign centres of consumption but as the steam-drifters came to the coast in recent years and intercepted the shoals out at sea, the quality of the herrings has sunk nearer to the average, as the Downings herrings in earlier years did not acquire their peculiar quality until they had arrived close to the shore.

Various kinds of fish-curing are carried on in the Board's stations according to the class of fish found in the locality (cod, ling, etc.), but the herring and mackerel from the industrial point of view are those out of which the biggest earnings are made by fishermen and fish-merchants.

In these ventures of pioneer fishing and curing, the Board had to risk loss, and some big reverses have been sustained here and there by the loss of boats that could not be insured, but the Board consider it part of their duty as pioneers to test the different fishing centres in the congested districts and thus encourage the people to embark on new grounds when it has been proved that they are safe, or at least hold out reasonable prospect of success.

One of the important functions of the Board is to make loans to fishermen to enable them to procure suitable boats and gear with which to pursue their calling. In no case do the Board advance cash to a borrower. They either purchase what is required and hand it over to the fisherman on receiving proper security for repayment of the loan, or arrange to allow him to purchase where he wishes and then pay the account direct on proof of delivery, usually in the presence of the local representative of the Board. Loans are also made in special cases to assist in fish-curing operations, and the Board occasionally import cargoes of barrel-making materials, selling them on credit along the coast to curers on a quick-repayment system. By these means the Board are slowly working small but enterprising merchants into a position of being capitalists capable of largely extending their trade.



Another and more complicated system of aiding fishermen to become owners of large boats is to enter into an arrangement known as the "share-system." Under this procedure the Board supplies the boat and gear to a selected crew who undertake by an agreement to work the boat; and the proceeds of the earnings are divided into shares, the agreement running until the Board's share of proceeds repays the purchase outlay, when the boat and gear become the property of the crew. The Board retain plenary powers of dealing with the crew while the agreement is in force, in order to ensure proper discipline and control of the boat and its operations. An instructor is placed in charge who acts as "skipper" of the boat as well as teacher of the crew. This system was first tried in Donegal and was found very successful in the case of decked sailing boats until the advent of power fishing boats, since when the crews of sailing-boats have not been so successful.

In developing the fishing industry, the Board have had to make arrangements for training men as fishermen, and in the case of large boats intended to proceed to deep-sea fishing-grounds, they had to train them to be sailors as well as fishermen. Many of the men had never seen a compass until taught its use on the Board's boats, but they soon became proficient in their new sphere of activity. In the early years of the Board's work they engaged experienced Scotch fishermen to teach the local crews, and the instructor was made the skipper of the boats (whether loan or share-boats). Now many Irish fishermen are fit to act as instructors for young crews. In addition to instruction in fishing and fish-curing, the Board have classes for instruction in net-mending, and mounting of nets, but this subject is now included in the routine of fishing and all crews have to prepare and care their own nets.

During the past quarter of a century the fishing industry has kept pace with the progress in ship-building generally. The introduction of steam-trawling was followed by the building of steam-drifters and motor-boats and the time is fast approaching when the old-time sailing craft will be "crowded out" of competition at large fishing centres by the various forms of modern power-boats. Even sailing craft are being fitted with steam capstans for hauling nets and gear. To keep up to date with the times, the Board have procured for experimental purposes, and as instruction-boats for the training of crews, various kinds of steam-drifter and motor-boats and in the light of their experience (which they place at the disposal of local fishermen) they make loans to enable enterprising fishermen to fit out motor-boats of a suitable design.

To meet the demands of the increasing fishing industry the Board opened some boat-building yards under skilled instructors and designers, and also sent instructors to work in private yards to aid local builders in designing and building fishing boats, the idea of the Board being to give instruction rather than to make money in boat-building. Another form of the Board's activities in assisting mackerel and herring-curing was to open barrel-making workshops under skilled coopers who took in local hands as apprentices to be trained. In course of years there have been numerous

men trained who are now working as coopers and curers, and the barrels made in the Board's workshops are sold to local fish curers when their own stock of barrels runs short.

For assisting the Board to carry on satisfactorily their various fishery operations, and for providing a ready way to inspect the coast work of the staff, it was considered desirable to build a special steamer suitable for cargo-work and at the same time possessing sufficient accommodation for those employed in inspection duty. She also does some police duty in preventing illegal trawling in prohibited areas, the responsibility of this public service being under the Department of Agriculture.

One of the side-issues of fishery development is the necessity of looking after the social well-being of the men, and coffee stalls were opened at some places where fishermen could be supplied with tea, coffee, etc., and have accommodation for letter-writing and social intercourse. These stalls are much appreciated by the men, especially those away from home.

The results of the Board's operations in developing the fishing and allied industries have been far-reaching, for not merely is work found for the men, but also for their wives and daughters who obtain employment on shore at cleaning, salting, packing of herrings and mackerel. Indirectly all the local people benefit by the circulation of money, and the general standard of comfort is raised. There is an increased demand for food-stuffs and thus even the farmers and shopkeepers in the neighbourhood benefit from the development of a fishing centre in their districts.

#### § 8. COTTAGE-INDUSTRIES AND OTHER INDUSTRIAL DEVELOPMENT.

In this branch of their administration, the Board decided to devote their energies to fostering and initiating home and cottage industries and domestic training. Weaving, spinning, knitting, embroidery, and the making of various descriptions of lace and crochet work thus came in for attention. In County Donegal where the home-spun woollens had obtained some celebrity, the Board encouraged the industry by giving premiums for high-class work, and the weavers competed keenly for the "stamp" of the Board, which was affixed to an approved web after a careful examination and measurement of the whole piece by the Board's Inspector of Home-spuns.

In County Mayo the Board assisted a newly established woollen factory at Foxford nearly 20 years ago by making a loan to develop the factory. The result was most gratifying, for the repayment instalments were made regularly for several years, and the balance outstanding was paid up some years ago. The factory is now a commercial success and is giving a large amount of local employment where none existed before.

In County Donegal facilities were given for the erection of buildings to enable a Scotch firm (Messrs Morton, of Darvel, Ayr) to start a branch of their hand-tufted carpet factory. This venture has also been most suc-

cessful, the Irish "hands" being found most capable, intelligent, and satisfactory in every way. New branches have been formed in the county by the firm, who are pleased with their experiences of the Donegal peasantry. A lace curtain factory was subsequently started by the same firm in Contamara, and it was aided by the Board paying the salaries of some Swiss instructors brought over to train the local workers.

In lace making, embroidery, fine-knitting, and kindred industries the Board establish "classes" under salaried teachers to instruct the girls of the locality who attend. The teachers market the output with the assistance, when desired, of the Board's Inspector of Industries, who keeps up his knowledge of markets and of the changes of fashion, the workers being thus in touch with the latest designs on the Continent and in America, so that the up-to-date demand may be kept supplied. Of late one district has taken up the knitting of soft woollen golf-coats, which happen now to be fashionable, and they find a ready sale at good prices. In most districts the girls are, as fashions change, able to adapt themselves to new work. There are over 100 lace, crochet, embroidery and similar classes working with a turnover of about £30,000 per annum.

It is only in the poorest parts, where farm-work is not extensive or pressing, or where other more profitable sources of earning do not exist, that the girls can spare the time, or poverty supplies the incentive, to take up lace-making and other needle-work and make it remunerative. The earnings of the girls vary of course according to ability and the time spent at the work. The greatest drawback to such industrial earnings is that they are very frequently used to enable girls to emigrate to the United States of America.

Another form of class instruction is that for domestic training, at which, however, no earnings are made. The Board have a staff of nine itinerant instructors who are sent to centres to give a four-months' course to the local girls. The classes are then moved on to the next selected centre. These classes are very successful, for they bring home to girls in backward places an education that would otherwise be beyond their reach. The girls appreciate these classes so much that they often walk some miles a day to attend. As the cottages in which the girls live give them no opportunity of learning the requirements of domestic service in ordinary or large houses, these girls when employed were heretofore only fit at first for the roughest household or farm work at low wages. Now after a course of instruction they can, at a better rate of wages, take on a higher grade of work requiring a knowledge of cookery, laundry and general housewifery.

The primary object of the course is to improve the homes by training the girls in habits of neatness and order as well as in the acquisition of useful information, thus raising the standard of ideas as to comfort and health. With technical knowledge, girls are enabled to earn better wages as servants if they leave home, or to use the knowledge in their own homes if they remain. Even if the girls emigrate they are able to obtain situations at higher wages than if they went into service as "green hands." They have then more money available to send home to the old people and

in this way the relatives at home indirectly benefit from the domestic training as well as the emigrants.

The Board have helped some other industries such as basket-making, home carpentry, etc., and they pay the fees of pupils in technical schools to learn such crafts as are likely to aid them in becoming wage-earners and useful citizens. Under the head of "Technical Instruction" the Board include the salaries of Fishery Instructors and the various classes of teachers engaged in imparting knowledge to enable pupils to start in industries which would be closed to them without such technical skill. There are at present two itinerant carpentry instructors and during winter when work is slack in the country the Board employ four other instructors to teach boys home and farm carpentry so that they may be able to do work at farm buildings, construct rough carts, and make home furniture suitable to their wants and surroundings.

The question has been seriously considered by the Board and discussed with the Department of Agriculture and Technical Instruction whether the Board ought to continue to provide instruction in domestic economy and in carpentry. Both the Board and the Department agree that such educational work falls within the province of the Department, but so far arrangements have not been made for handing it over to the Department, as each body finds a difficulty in agreeing to the financial settlement proposed by the other on a transfer of the work.

#### § 9. ENGINEERING WORKS.

On completion of their first survey of the congested districts, an outstanding need was apparent for the erection of piers, breakwaters, boat-slips, and beacons or lights, to develop fisheries and afford transit facilities; for the making of roads to open up communication between the outside world and backward parts of the scheduled area, the erection of bridges over rivers which formerly had to be forded, the carrying out of main drainage operations to reclaim lands and the cleaning of rivers and old drains to save districts from perennial flooding. These operations involved the appointment by the Board of an engineering staff who, having executed the most urgent works the Board had in mind, were in course of time transferred to the Department of Agriculture, which had some time previously been established and required such a staff to carry on work outside the congested districts.

Of late years the Board have a working arrangement with the Department by which the services of the staff are lent to the Board at fixed rates to carry out any small works which have been decided upon by the Board. In the early years the Board themselves undertook the *entire* cost of the most urgent work, carrying them out either departmentally or through a contractor, but of late years they are slow to undertake engineering works unless the localities concerned are willing to contribute towards the cost and thus

prove the necessity for the work. Usually such works are now undertaken by the county authorities, the Board granting a proportion of the cost — say one-half or one-third, according to circumstances — the remainder being raised by local taxation. Since the establishment of the Board they have spent £99,596 on marine works, and £76,994 on inland works of various kinds, making a total sum of £176,590.

Owing to financial and legal difficulties the Board have not been able to carry out arterial drainage outside their own estates to the extent they would wish, for no work would be more reproductive or add more to the agricultural value of the land. The Board, however, did carry out a few extensive schemes on their estates in the County Mayo while re-arranging and preparing them for re-sale to the tenants. Over £20,000 was spent in this way reclaiming and improving lands, and it is estimated that the money spent on the works will earn a "dividend" for the localities of over ten per cent. per annum in increased value to agriculture. A Vice-regal Commission in recent years reported on the subject of Drainage in Ireland and the Board await legislation to enable them to start operations in this fruitful field for improvement of the soil, subject to funds being available. Meantime the Board and the Development Commissioners have formulated a scheme to cost about £15,000 in County Sligo, the Commissioners lending £12,000 repayable in 20 years without interest, the Board to carry out the scheme as contractors to a Drainage Board to be created by the Board of Works and bear all cost over the amount of the loan, the work to be done as usual in such cases under the Drainage Acts through the Board of Public Works.

The Development Commissioners are further co-operating with the Board by voting liberal grants to enable large engineering works to be carried out at selected centres, and a loan to the Board is also being made by the Commissioners for the building and equipment of power fishing boats.

#### § 10. MISCELLANEOUS SCHEMES.

Apart from the various schemes under the several heads mentioned, the Board carry out certain financial arrangements to aid generally in their procedure. For instance under the Workmen's Compensation Acts they underwrite their own risks since they have developed large undertakings involving the employment of large numbers of workmen, instead of insuring through an Insurance Company as they did formerly when the number of men employed was small. On similar lines, the Board carry on a live-stock insurance under which owners of stock who place animals on the Board's lands for grazing can be protected by payment of a small premium from what would probably be a crushing loss in the event of death of animals.

The Board make grants to the Post Office on foot of guarantees to enable that Department to open telegraph offices, money order offices, and post offices in backward places with a view to bringing the inhabitants into touch with modern commercial connections, thus facilitating the development of business. This is particularly the case in the fishing centres where telegraphic information as to the prices of the day in the leading markets is of prime importance, and sales can be arranged by telegraph.

Another item of the Board's miscellaneous work is the building of a few nurses' residences in out-of-way places to bring the people within the benefits of the Lady Dudley Nursing Fund. It is difficult to estimate the advantages of this scheme to the poor who are far distant from regular medical assistance, and the nurses are greatly appreciated by the dispensary doctors and the people in the districts where they are employed.

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The foregoing is a summary (though not an exhaustive one) of the leading features of the Board's various activities in improving the condition of the people of the congested districts. The writer desires it to be understood that his views are personal regarding transactions in which he has always taken the deepest interest, and that the article is not written as representing with any authority the ideas of the Board.

## NOTICES OF SOME RECENT PUBLICATIONS RELATING TO AGRICULTURAL ECONOMY IN GENERAL.

### BULGARIA.

Статистика на Земледелската Собственост, пръв 1908 година. Книга 1. Притежания по околии и окръзи (Главна Дирекция на Статистиката, София, Държавна печатница 1914. (*Statistics of Landed Property in Bulgaria for the Year 1908. Volume 1: Holdings classified according to Arrondissements and Departments. Published by the General Statistical Department of the Kingdom of Bulgaria*), Sophia, 1914, State Printing Press, Large Quarto. pp. XVIII + 108, with ten maps and diagrams in addition to the Text.

Under the above title, the Bulgarian Statistical Department has just published the first part of the results of the last general census of landed property taken in the first half of the year 1908, after considerable delay occasioned by the Balkan wars.

This is the second census of landed property taken since the proclamation of the independence of the country, the first having been taken in 1897.

In both instances the same method was followed, that is to say separate forms were sent out for each landholder. These forms were filled in, not by the landowners themselves, but by the mayors of the communes, who received special instructions for the purpose. There were no other census agents employed. The information for filling in the forms was taken from the land registers kept in each commune for purposes of the land tax.

In the same way in 1897 the land holders were divided into two classes, local and not local, the former holding land in the locality inhabited by them, the others in some other commune.

The census extended to all holdings cultivated, registered in the land tax registers, the entries in which correspond with declarations made in 1905 in accordance with the land surveys of 1903. To the private holdings are added those of the communes, churches and schools and others of public property and generally all those exempted from taxation by the law, including the domains of the State.

The census was taken on January 1st., 1908, and the information entered on the forms refers to the state of the holdings at that date. The examination of the census papers terminated about the end of March, 1909, and, about the end of April, 1911, the preparation of the material was complete. Some preliminary results were published that year in June.

The results prepared for the press will be published in four volumes. The first, with which we are here concerned, gives the general results of the census of holdings, according to arrondissements and departments, showing both the number and area of the holdings possessed. The second volume will contain similar information, according to localities, the third will show the distribution of the land among the land holders and the fourth will consist of a study of the figures published in the three earlier volumes.

Let us finally add that in addition to the data furnished by the census for 1908, the present volume also contains those for the year 1897, in order that a comparison may be made. This, together with the fact that the text and headings are printed in French as well as in Bulgarian, will greatly facilitate the study of the results obtained and enable the attentive reader to form as complete an idea as possible of the development and rural economy of Bulgaria, as well as of the considerable progress made in the short period between the two censuses.

Let us hope that the crisis Europe is passing through at this moment will not prevent the Bulgarian General Statistical Department from publishing the other three volumes of this interesting work at an early date.

#### GREAT BRITAIN AND IRELAND.

REPORT TO THE BOARD OF AGRICULTURE FOR SCOTLAND ON HOME INDUSTRIES IN THE HIGHLANDS AND ISLANDS. Edinburgh, 1914, Neill and Co., 8s. IX. 207 pages.

This interesting Report embodies the results of a special inquiry made by Mr. W. R. Scott, who was appointed in 1911 by the then Secretary for Scotland to investigate and report upon Home Industries in the congested districts of Scotland. It presents an exceptionally interesting picture of the growth of industries auxiliary to agriculture in an economically backward district, whether they arose naturally or were fostered by charitable organisations or by the State. The story of these industries, with their periods of decline and revival, is very instructive and should furnish many valuable suggestions to the Board of Agriculture for Scotland in the work which is now entrusted to it of endeavouring to improve the economic conditions of the inhabitants of the Highlands and Islands. As the experience of Scotland may prove useful to other countries where conditions are similar, we propose to publish a resumé of the Report in an early edition of the Bulletin.



## ITALY.

RAFFAELIO (G.): Diritti promiscui, demani comunali ed usi civici (*Collective Right, Common Land and Civic Uses*). II ed. Edition, Rome, Milan and Naples, Società Editrice Libreria, pages 336.

After giving a general idea of civic uses from an economic and legal point of view, and indicating the principles by which they are regulated, whether written or established by custom, as well as the studies and researches made by the commission for the reform of the annulment laws, the author studies in separate chapters the civic uses of Roman, mediæval, modern and contemporary times; and then goes on to examine the present legal position of the problem and finally deals with some proposals for its solution, with special relation to the civic uses and collective land of Lombardy.

## SWEDEN.

DETÄNKANDE I EGNAHEMSFRÅGAN, AFGJEVET DEN 14 OKTOBER 1914, UTAF DE AF CHEFEN FÖR KUNGSLIGA JORDBRUKSDEPARTEMENTET TITTKALLADE SAKKUNNIGE. (*Report on the Question of Small Holdings, Presented on October 14th., 1914 by the Expert Commission constituted by the Royal Department of Agriculture*). Stockholm, 1914, Marcus Press. 3 Volumes, 4to. pp. XII + 616, VI + 456 and IV + 246.

On January 20th., 1911 the Royal Department of Agriculture at Stockholm instructed a Commission of five experts, with Baron Malte Ramel as President, to study the advisability of revising the Regulations of June 13th., 1908, on the State contribution to the establishment of small holdings (*egna hem*), as well as generally of all the legislation on this important department of home colonisation.

After four years' assiduous labour, this Commission has just presented its report, which it concludes with a proposal for a radical reorganization of the work of the Government in the matter.

As it is our intention to examine the proposals of the Commission for such reorganisation in an early number of this Bulletin, we shall now limit ourselves to a few remarks on the Report itself, which is one of the most conscientious, complete and clear we have ever had before us.

The fundamental portion of the important publication is to be found in the first volume, which begins with an historical study of the origin and successive development of home colonisation in Sweden. Then comes a statement of the principles now adopted by the State in the foundation of small holdings, as well as the provisions now in force for the practical realisation of the work. After which come the considerations of the Commission and the detailed statement of the reasons for the alterations it suggests in

the existing regulations. A draft of new regulations given in detail, a statement of the suggestions of two members of the Commission, differing slightly therefrom and, finally, a series of documents on which the proposals are based, are to be found at the end of the volume.

Volume II of the Report consists of a complete collection of all the statistics necessary for a profound and detailed study of the entire question. It also contains a very valuable general report on the action of the Government in favour of small holdings and its results during the period from 1875 to 1911.

Finally, the third volume of the Report is entirely given up to the comparative study of the state of the question of small holdings in countries the general conditions of which are more or less similar to those of Sweden, whether as regards climate or as regards agriculture and social life. We have here a group of five brief but very complete monographs on Government action in favour of home colonisation in Norway, Denmark, Finland, Prussia and England, the results up to the present obtained in each of these countries and the advisability or not of adopting in Sweden the principles by which the Governments of the above States were guided and the methods employed by them. As Government action is everywhere intimately connected with private initiative, the latter is naturally also considered and the monographs thus deal with the whole question.

We see then the field of study entered upon by the Commission under the presidency of Baron Ramel is extremely wide. But the considerable labour involved in the study thus conceived is largely compensated by the utility of the work accomplished. Far more than a simple report of a Government Commission on a special subject, the publication of the Swedish Commission is a thoroughly complete study of one of the most important questions of national economy not only in Sweden but in all Northern Europe. Taken all in all, the whole evolution of the problem of small holdings in one of the countries where it has certainly been solved most completely and most scientifically, could not be better or more clearly summarised than it is in the three large volumes of this Report.

KUNGLIGA LANDTBROKSSÄMPELSENS UNDERÖFNINGA BERÄTTELSE FÖR ÅR 1912 (*Humble Report of the Royal Agricultural Department for the Year 1912*). Linköping, 1914. Ostgöta Correspondenten Press, 8vo. pp. VIII + 666.

The fourth annual Report published by the Royal Agricultural Department, according to the programme established by Royal Order of October 2nd, 1908, has just appeared, in the form of a thick volume of 666 pages, illustrating with the help of numerous statistical tables the work of the Royal Department in behalf of Agriculture in 1912.

After a first chapter devoted to the study of the variations in the weather and the crop statistics of the year, the report goes on to a general

examination of the Government action in behalf of rural economy, which it studies in twenty clear and concise chapters of which it will suffice for us here to give the titles. (2) Work of the Royal Rural Economic Societies, (3) Prizes for Horned Cattle Bred (4) Measures for Pig Improvement, (5) Measures for the Extension of Small Holdings, (6) Report of the Butter Control Institutions, (7) Measures for the Encouragement of the Cultivation of Clover and and Native Seeds, (8) Work of the Institutions for Agricultural Education, (9) Work of the Government Agricultural Engineers, (10) Work of the Government Expert Instructors and Employees in connection with the Peat Moss Industry, (11) Work of Swedish Agricultural Experts Abroad, (12) Work of the Livestock Improvement Centres, (13) Work of the Stations for the Trial of Agricultural Machinery and Implements, (14) Utilisation of the Special Funds for the Colonisation of Norrland, (15) Work of State Subventioned Agricultural Societies, (16) Government Measures for the Encouragement of the Fishing Industry, (17) Fight against Bovine Tuberculosis, (18) Work of the Vegetable Biological Institute at Luleå; (19) Work of the Agricultural Chemistry Stations, (20) Work of the Government Subventioned Stations for the Inspection of Seeds, (21) Work of the Government for the Encouragement of Homesteads.

RUGGERI ALFREDO, gerente responsabile.

